

भारत स्टार्स सर्विसेज (दिल्ली)
प्राइवेट लिमिटेड



**BHARAT STARS SERVICES (DELHI)
PRIVATE LIMITED**

भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
सफदरजंग एयरपोर्ट, नई दिल्ली - 110003

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तारीख 21/3/2022 21.03.2022

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The Secretary
Airports Economic Regulatory Authority of India
AERA Building, Administrative Complex
Safdarjung Airport
NEW DELHI — 110 003

Mar (VGS)
for n.a./pt. 22/3/22

Dear Sir

Subject: **Submission of Stakeholder comments In the Matter of Determination of Tariff in respect of Bharat Start Services (Delhi) Private Limited (BSSDPL) for providing Into Plane Services -ITP Service Provider at Indira Gandhi International Airport (IGI), New Delhi.**

Bharat Stars Services Private (Delhi) Limited (BSSDPL) is ITP operator at various open access airports in India. We Currently have received the AERA Consultation paper no. 32/2021-22 on the matter of Tariff for Indira Gandhi International Airport for the period 01.04.2021 to 31.03.2026 .

We hereby submit our comments attached.

Thanking you & assuring of our best cooperation at all times.

Yours truly

For **Bharat Stars Services Pvt Ltd**

Prashanth M Kamath
Chief Executive Officer



Sh. Satish Kumar (Attn)

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CIN: U74140DL2010PTC204275

BHARAT STAR SERVICES (DELHI) PRIVATE LIMITED

Response to Airports Economic Regulatory Authority (AERA)'s Consultation Paper No. 32/2021-22 dated 23rd February 2022 Determination of Tariff for Into Plane Services for Bharat Stars Services (Delhi) Private Limited (BSSDPL) for the Third Control Period (01.04.2021 - 31.03.2026).

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1 Introduction

Airports Economic Regulatory Authority of India ('AERA') has released Consultation Paper No. 32/2021-22 on Determination of Tariff for Into Plane Services in respect of Bharat Stars Services (Delhi) Private Limited ('BSSDPL') for Third Control Period (1st April 2021 to 31st March 2026), ('Consultation Paper' or 'CP') on 23rd February 2022.

We hereby present our observations, suggestions, and request in respect of determination of Tariffs for Into Plane Services for BSSDPL for the Tariff Determination for the Third Control Period -- from 1st April 2021 to 31st March 2026.

2 Executive Summary

BSSDPL hereby submits the following summary of comments on the Consultation Paper 32/2021-22:

- BSSDPL has submitted that the methodology that would be applicable would be a light touch approach as per the AERA guidelines. BSSDPL provides below the extract of the MYTP below:

Stage	Conditions	BSSDPL in DIAL
Stage 1	Is the volume of into plane services handled considered "material"?	✓
Stage 2	Is the into plane services service considered competitive?	✓
Stage 3	Are the terms in the existing user agreement for into plane services considered reasonable?	0

- It was noted that AERA has adopted the price cap methodology in the consultation paper stating that there is no real competition between the into plane service providers in DIAL. However, BSSDPL re-iterates that IOSDPL and BSSDPL are two different entities with competing tariff with their own respective set of clients. In view of this, BSSDPL requests AERA to consider a light touch approach in determination of tariff for the third control period for the ITP services in DIAL.
- It was also noted that AERA has revised the capital expenditure by almost Rs. 7 crores in estimating the cost for third control period. BSSDPL submits that the spend proposed of Rs 17.88 crores during the third control period is extremely essential to upgrade the dispensers and refuellers to provide the quality services to the existing clients. If there is any fall in the quality of service, there is a risk of clients shifting to the competitor of BSSDPL in DIAL. Hence, there is a need for continuous replacement of the equipment to ensure the best services. BSSDPL also reiterates that this is the only way that BSSDPL can continue to hold at least the existing market share in DIAL. While the AERA projected market share % of 35% is a herculean task at hand for BSSDPL, there is a requirement for constant upgradation to retain the existing clients and the existing market share. As per clauses of the agreement with DIAL, each of the into plane service providers ought to have equipment to cater to at least 60% of the peak hour demand of respective ATMs/ However, BSSDPL currently has equipment to service only 30-35% of the peak hour demand. Further, BSSDPL also submits that for the flights that it services, there is a need for equipment which can cater to the demand of at least 15-17 flights simultaneously. However, currently equipment can service only 10-12 flights simultaneously. It is noted that while on one hand AERA expects BSSDPL to increase their market share in DIAL, it AERA has disallowed essential capex required to even meet the existing demand. Hence, BSSDPL requests AERA to kindly consider the projections for Capital Expenditure as submitted by BSSDPL in the MYTP. (Refer Para 4.3 for detailed comments)

- AERA has also stated in various instances that the operating expense projections are not in line with the volume of business. BSSDPL submits that most of the expenses including repairs, maintenance, etc. are fixed in nature. There is a requirement to maintain the equipment and being a labour-intensive activity, there is a requirement to retain/add manpower for the same with the addition of more equipment. BSSDPL submits that it has made a bottom-up projection for each of the expenses and has carefully analysed the need for each of the expenses for the third control period. BSSDPL thus submits to AERA that the operating expense projections as submitted during MYTP may be considered. (Refer Para 7.1 for detailed comments)
- BSSDPL also submits that there was an inadvertent error in the traffic data point provided to AERA where the domestic and international numbers were interchanged. BSSDPL regrets this error and requests AERA to consider the revised numbers as submitted in this document while determining the tariff for this service. BSSDPL submits that change in this traffic would have a large impact on the revenues from the ITP services and thus on the tariff for the third control period. (Refer Para 3 for detailed comments)
- BSSDPL also submits that there has been no increase in the tariff for the past 4 years. This was fixed at Rs. 199.67 per KL for the second control period. Without increase in tariff and with disallowances of capital spend and operating expenses, it becomes additionally difficult to maintain the quality of service in the airports. Further, the cashflows are already strained considering the pandemic scenario and such disallowances would only further hinder the growth and would even render the day-to-day operations difficult. While BSSDPL had appealed to AERA vide letter dated 21st September 2018 to keep the rates in line with that of its competitor in DIAL, BSSDPL submits that considering the different business dynamics, maturity levels of business, volumes handled, etc. there is a possible need for differential pricing between the players in the same airport. Further, BSSDPL submits that customers would now be able to weigh both the quality of service as well as the tariff while choosing their preferred input service provider for into plane services. Hence, BSSDPL requests AERA to consider the tariff rates as submitted by BSSDPL in its MYTP.
- BSSDPL also notes that AERA has staggered the increase in the tariff rate increase over the 4 years of the third control period. BSSDPL submits that this would severely impact the cash flows of the company and thus requests AERA to allow the increase in the rates in year 2 of the third control period itself.
- Lastly, BSSDPL also submits that AERA may consider bringing parity/uniformity in the assumptions of expenses, tariff, etc. between the competitors in the same airport based on key parameters such as volumes handled, size of the company, etc. to ensure that a level playing field is established in the airport for all the competitors.
- AERA has allowed only 5% of Revenue share as a cost pass through. BSSDPL humbly submits that:(Refer Para 7.2)
 - The Royalty capping order is only applicable for Price Cap approach. As explained in detail in the submissions made, as per extant guidelines, the tariff is to be determined based on light touch approach only.
 - Revenue share was being offered to DIAL on the basis of competitive tendering process of DIAL. Any revenue share earned by DIAL goes to cross subsidise the Aeronautical charges levied and collected by the Airport operator from airlines and passengers. Hence, the users are not put to any disadvantage. Accordingly, this may be allowed as a cost pass through fully.

- Reduction of the revenue share reimbursement and not having these legitimate contracted costs reimbursed to BSSDPL puts the entity in a disadvantageous position and the return that is determined as fair is not in effect being given to BSSDPL.
- BSSDPL therefore requests the Authority to consider these factors and re-compute the ARR and the ITP charges to be levied so that the operations of the entity are sustainable. Only this will ensure operation of a competitive environment of ITP service in DIAL.

Note: Points contained in the executive summary to be read along with the detailed comments contained in paras 3 to 8 given below.

3 Fuel Through Put Forecast

AERA's Proposals

The Authority, after assessing the Domestic Fuel Throughput projection submitted by BSSDPL for the Third Control Period and actual achieved by BSSDPL during the period April to Dec 2021 observes that BSSDPL has taken a pessimistic view for the projection of Domestic Fuel Throughput for the Third Control Period as it has achieved much higher Domestic Fuel Throughput volumes during the period April to Dec 2021 in comparison to their projection for the same period. Hence, the Authority proposes to estimate the Domestic Fuel Throughput volumes for FY 2021-22 by extrapolating the actual Domestic Fuel Throughput volume for the period April to Dec 2021. The Authority also proposes year on year growth rate of 12% for FY 2022-23 and FY 2023-24 and thereafter proposes year on year growth rate of 5% for the remaining two years of Third Control Period for Domestic Fuel Throughput. (Para 3.8 of CP)

The Authority, after assessing the International Fuel Throughput projection submitted by BSSDPL for the Third Control Period and actual achieved by BSSDPL during the period April to Dec 2021 observes that BSSDPL has taken an optimistic view for the projection of International Fuel Throughput for the Third Control Period as it has achieved much lower International Fuel Throughput volumes during the period April to Dec 2021 in comparison to their projection for the same period. Hence, the Authority proposes to estimate the International Fuel Throughput volumes for FY 2021-22 by extrapolating the actual International Fuel Throughput volume for the period April to Dec 2021. (Para 3.9 of CP)

Table 6: Fuel Throughput (Volume) proposed by Authority for the Third Control Period

Particulars	Fuel Throughput (Volume in KL)			As % of FY 2019-20's Volume		
	International	Domestic	Total	International	Domestic	Total
2019-20 (Actual)	4,84,759	65,782	5,50,541	-	-	-
2020-21 (Actual)	1,78,461	79,292	2,57,753	37%	121%	47%
2021-22	94,895	2,18,085	3,12,980	20%	332%	57%
2022-23	1,69,666	2,44,256	4,13,921	35%	371%	75%
2023-24	3,15,093	2,73,566	5,88,660	65%	416%	107%
2024-25	4,84,759	2,87,245	7,72,004	100%	437%	140%
2025-26	5,08,997	3,01,607	8,10,604	105%	458%	147%
5 Years Total	15,73,410	13,24,758	28,98,168	-	-	-
7 Years Total	22,36,630	14,69,832	37,06,462	-	-	-
CAGR 5 Year's	52%	8%	27%	-	-	-

BSSDPL's Submission

BSSDPL submits that there was an inadvertent error in the data points provided to AERA vide email dated 7th January 2022.

The table so provided in the email above ought to be read as follows:

Domestic & international (Bonded stands for International)

Month	BPCL		HPCL		RIL		Total BSSDPL Sales		
	Bonded	Duty paid	Bonded	Duty paid	Duty paid	Bonded	Bonded	Duty paid	Total Volume
Apr-21	14033	5757	3707	2434	457	0	17740	8648	26389
May-21	9836	2547	1813	1145	248	0	11648	3940	15588
Jun-21	10203	2748	841	1076	252	0	11044	4076	15120
Jul-21	10299	4212	1846	1333	331	0	12146	5876	18022
Aug-21	13475	5182	1571	1955	1205	0	15047	8342	23389
Sep-21	12195	5797	2063	2580	1408	0	14257	9784	24042
Oct-21	21228	7567	1969	2965	1963	0	23197	12495	35692
Nov-21	25201	6236	2412	2007	747	0	27613	8990	36602
Dec-21	28187	5605	2685	2641	773	0	30872	9020	39891
Total	144656	45651	18908	18136	7383	0	163564	71171	234735

Inadvertently, there was an error in BSSDPL's submission, which has now been corrected as given in the table above. The international traffic for the period 1st April 21 to 31st Dec 2021 is 1,63,564 KL and domestic traffic for the same period is 71,171 KL. The error has accordingly made a significant impact on the volume projected by AERA, resulting in much lower ITP Tariff.

BSSDPL's Request

BSSDPL requests AERA to reconsider the revenues/costs and other building blocks based on the revised traffic as submitted above for the FY 21-22. For the years starting from FY 22-23 to FY 25-26, BSSDPL requests AERA to consider the traffic as submitted by the Company during MYTP. The basis for the same was already provided in the MYTP submissions.

4 Regulatory Asset Base for Third Control Period**4.1 Disallowance of Pre-Award Cost – Rs. 25 Lakhs****AERA's Contentions**

The Authority observes that BSSDPL, Delhi has included a BID Award Cost of Rs.25 lakhs as a Pre-Award Cost in the RAB. The Authority notes that in the concession agreement, the selected bidder is required to pay the bid award cost. The Authority also notes that there will be no capital addition for BSSDPL, Delhi with the Bid Award Cost, and, hence the Authority proposes not to consider it as a part of RAB of BSSDPL, Delhi. (Para 4.23 of CP)

BSSDPL's Submission

As per Clause 1.3.1 of the Concession Agreement, BSSDPL is required to pay a non-refundable sum of Rs.25 lakhs as a Bid Award Cost to DIAL as a part of the conditions precedent in the Agreement. Upon fulfilling this condition, BSSDPL would be able to finance, design, develop, construct, operate, manage, and maintain the ITP infrastructure and also provide the ITP services.

As per IND AS 38 – Intangible Assets, an entity controls the asset if the entity has the power to obtain future economic benefits flowing from the underlying resource and to restrict the access of others to those resources. Hence, this bid award cost is also capitalized in the books of accounts of the company in line with the applicable Indian Accounting Standards.

BSSDPL, upon payment of the bid award cost will be able to provide the ITP services and reap the economic benefits from the services provided.

Thus, BSSDPL submits that the Bid award cost is a pre-requisite to carry on the ITP business in Delhi airport and thus will be obtaining future economic benefits from the same. Hence, BSSDPL requests AERA to include the bid award cost considering the above points.

It may also be noted that these facts were provided to AERA in the replies to their queries during consultation process.

BSSDPL's Request

Considering the above facts, BSSDPL requests AERA to include the pre-award cost of Rs 25 lakhs as a part of RAB.

4.2 Re-adjustment of 1% in ARR in case of non-completion of Capex targets

AERA's Proposals

The Authority has examined the ACS regarding the capex proposed vis-a-vis the actual capex incurred during the Second Control Period and notes that BSSDPL has not executed the approved capital expenditure in the relevant control period which is against the interests of the airport users.

After examining the past trends of BSSDPL, Delhi regarding capital expenditure, the Authority observes that BSSDPL is having a tendency of not executing the approved capital expenditure in the relevant Control Period and carrying it forward to the future Control Periods which is against the interest of the end users.

The Authority, in order to ensure that M/s BSSDPL adheres to the Capital Expenditure plan, decides to reduce 1% of the non-capitalized CAPEX from the projected ARR/Target Revenue for the next Control Period during True Up, in case CAPEX targets are not achieved as per the Capitalization schedule. (Para 4.26 of CP)

BSSDPL's Submission

BSSDPL submits the following comparison regarding capital expenditure proposed as against the actuals as stated in the ACS during the Second Control Period:

Rs. in lakhs

FY	Projections	Actuals	Difference	Reasons
2016-17	106.07	15.40	90.67	The same has been deferred in view of Cash flow
2017-18	170.43	14.43	156.00	The same has been deferred in view of Cash flow
2018-19	127.59	41.74	85.85	The same has been deferred in view of Cash flow
2019-20	89.18 (incorrectly provided as	121.61	-32.43	Capex postponed from previous years carried out now.

FY	Projections 500.00 lakhs in ACS)	Actuals	Difference	Reasons
2020-21	303.69	564.92	-261.23	Capex postponed from previous years carried out now.
Total	796.96	758.10	38.86	

BSSDPL submits that from the above table, it is observed that the capex spend has been largely in line with the projections as per ACS when seen for the second control period as a whole. Due to cash flow issues, some of the projects/purchases could have been shifted across the years. However, for the second control period as a whole, the total proposed spend was Rs 796.96 lakhs and the actual spend was Rs. 758.10 lakhs. There is a short spend of only Rs. 38.86 lakhs. Hence, BSSDPL submits that it does not adopt practices of projecting capex and not spending the same during the five year control period as stated in the consultation paper. All estimates and projections are based on sound principles, after detailed discussions and after various rounds of internal reviews.

In view of this, BSSDPL submits that if there is any change in the capex schedule, it could only be due to the events and situations beyond the control of the Company (for instance, COVID 19 pandemic).

BSSDPL's Request

In view of the fact that BSSDPL strives to largely stick to the 5 year capex plan projected in the MYTP, , we request AERA to not levy any penalty in case any projects/ targeted capex are not completed due to circumstances that may be beyond the control of the BSSDPL.

4.3 Capital Expenditure proposed for the Third Control Period

AERA's Proposals

Capital Expenditure (In Rs. Lakhs)	As per Submission	As per CP	Difference	Remarks for difference
Dispensers (Refurbishment)	854.07	312.19	541.88	Considering the low traffic volumes due to pandemic impact, the Authority proposes to consider the purchase of one new Refueller in FY 2025-26, however, no purchase of Hydrant Dispenser is considered during the Third Control Period.
Refuellers (New+Refurbishment)	379.79	276.01	103.78	Authority, further proposes to consider refurbishment of 2 Refuellers in FY 2021-22 and to shift the refurbishment of 1 Refueller from FY 2021-22 to FY 2022-23.
Aviation Module Parts	43.05	42.99	0.06	No change
Vehicles	34.21	23.11	11.10	Considering the BSSDPL clarification, age profile of vehicle and low volume of Fuel Throughput due to pandemic the Authority proposes to consider 01(one) jeep each year for FY 2023-24 and FY 2025-26.
Office Equipment	13.49	3.38	10.11	No documents justifying the need - hence considered only 25% of the total
Automation Hardware	88.16	69.37	18.79	Changed in line with change in the dispensers and refuellers
Furniture & Fittings	21.83	5.46	16.37	No documents justifying the need - hence considered only 25% of the total
Computer and Software	14.36	3.59	10.77	No documents justifying the need - hence considered only 25% of the total
Building-ITP Depot	315.00	278.45	36.55	The Authority reworked the cost of ITP depot considering contingency @ 3% in line with other Airport Operator/ISP and proposes to consider Rs. 278.45 Lakhs for the construction of ITP Depot in FY 2023-24 for BSSDPL, Delhi after considering 4.9% for inflation.
Pre Award Cost	25.00	-	25.00	The Authority also notes that there will be no capital addition for BSSDPL, Delhi with the bid award cost, and, hence the Authority proposes not to consider it as a part of RAB
Total CAPEX	1,788.96	1,014.55	774.41	

BSSDPL's Submission

Dispensers & Refuellers - Actual requirement is 18 & 6 respectively for Dispensers & Refuellers at the end of 3rd control period considering the no. of operations & the frequency of flights requiring positioning of refueling equipment for refueling activity. This has considered the no. of flight operations which are bound to increase with increase in domestic & international operations. This is considering the actual physical conditions prevalent during refueling of flights. BSSDPL also submits that for the flights that it services, there is a need for equipment which can cater to the demand of at least 15-17 flights simultaneously. However, currently equipment can service only 10-12 flights simultaneously. It is noted that while on one hand AERA expects BSSDPL to increase their market share in DIAL, it AERA has disallowed essential capex required to even meet the existing demand.

As per clauses of the agreement with DIAL, each of the into plane service providers ought to have equipment to cater to at least 60% of the peak hour demand of respective ATMs/ However, BSSDPL currently has equipment to service only 30-35% of the peak hour demand. Further,

BSSDPL's Proposals

Based on the facts provided above, BSSDPL requests AERA to consider the capital expenditure submitted in the MYTP for the third control period.

While BSSDPL strives to stick to the committed deadlines, we request AERA to not levy any penalty in case any projects/ targeted capex are not completed due to circumstances that may be beyond the control of the BSSDPL.

5 Depreciation**5.1 Depreciation for Plant & Machinery****AERA's Proposals**

Extract of Table 17 of CP: Depreciation on the Capex proposed by the Authority for BSSDPL, Delhi for Third Control Period

Depreciation	Amount (Rs. In Lakhs)				
	2021-22	2022-23	2023-24	2024-25	2025-26
Plant & Machinery	135.12	128.19	121.79	122.26	127.45

BSSDPL's Submission

BSSDPL has noted that the depreciation for plant & Machinery for FY 2025-26 does not match with the re-computation of depreciation for plant and machinery head done by BSSDPL based on AERA's projections to the tune of Rs. 6 lakhs. BSSDPL is unable to understand the calculation and basis AERA has adopted for computing the depreciation of Plant & Machinery for FY 2025-26.

BSSDPL's Request

The Company requests AERA to recalculate the depreciation for all heads including plant and machinery for all the years of the third control period after considering the submissions made by BSSDPL in respect of capital expenditure as stated in para 4.3 of this document.

6 Fair Rate of Return (FRoR)

6.1 Cost of Debt and Fair Rate of Return

AERA's Proposals

7.5 The Authority, further notes that the cost of debt considered by BSSDPL, Delhi is 14.25%. The Authority sought clarification from BSSDPL. In response, it is clarified that as composition of funds of BSSPL consists entirely from internally managed funds, and hence, the entire funding has been treated as equity. The Authority obtained the base rate from Reserve Bank of India which is 7.25%-8.80% (on 17.02.2022) and accordingly proposes to consider cost of debt @ 8.00% considering the fact that cost of debt is generally high for the small players. The Authority also proposes to consider cost of equity @ 14%, as considered for other Airport Operators/Service Providers, during the Third Control Period.

7.8.2. To consider the cost of debt at 8%.

7.8.3. To consider Fair Rate of Return (FRoR) for the Third Control Period as per Table 24 (Para 7.6)

BSSDPL's Submission

As submitted earlier, BSSDPL states that the cash available in BSSPL is out of internally generated funds of the company. This does not have any borrowed/external funds. Hence, BSSDPL is of the view, as stated earlier that the funds taken/proposed to be taken from BSSPL may be treated as quasi equity. As a result, BSSDPL submits that the cost of equity of 14.25% may be adopted for the funds received from BSSPL.

On the other hand, BSSDPL also submits the following: BSSDPL proposes to obtain loan of upto Rs. 8 crores to fund the capital expenditure requirement for the third control period with funding from Holding Company, Bharat Stars Services Private Limited. In line with the requirements of the Companies' Act 2013 and Ind AS, a resolution was passed in BSSDPL that it would be given as a loan by BSSPL to BSSDPL at an interest rate of 9.90% (Base of 8.75% + 1.15% = 9.90%). This loan is repayable on demand. This interest rate ought to be on an arm's length basis and also to be in line with the market rates. Hence, BSSDPL submits that the Management consulted with its bankers to obtain the interest rate at which the bankers would extend loan facilities to the Company. 9.90% of interest rate was determined in this manner. BSSDPL is unable to understand the basis of considering 8% as the interest rate proposed by AERA.

Thus, based on the above facts, the cost of debt should be taken as 9.9% instead of 8%, thereby being at least equal to the interest cost that would be borne by BSSDPL in the repayment of the loan to its holding company.

BSSDPL's Request

BSSDPL thus requests AERA to consider the cost of debt at 14.25% for reasons mentioned above. BSSDPL also submits that the contracted rate of interest is 9.90%

6.2 Average Debt & Average Equity

AERA's Proposals

AERA has proposed the following Average Debt and Average Equity as per Table 24 of CP.

Fair Rate of Return	Amount (Rs. In Lakhs)				
	2021-22	2022-23	2023-24	2024-25	2025-26
Debt	1,069.30	1,520.33	1,600.66	1,096.26	591.96
Equity	500.96	85.92	237.01	580.01	1023.62
Debt + Equity	1,570.26	1,606.25	1,837.67	1,676.27	1,615.58
Cost of Debt	8.00%	8.00%	8.00%	8.00%	8.00%
Cost of Equity	14.00%	14.00%	14.00%	14.00%	14.00%
Individual Year Gearing	68.10%	94.65%	87.10%	65.40%	36.64%
Weighted Average Gearing	70.77%				
Weighted Average Cost of Debt	8.00%				
Cost of Equity	14.00%				
FRoR	9.75%				

BSSDPL's Submission

Considering the loss of Rs. 411.74 lakhs as projected by AERA in the CP for the first year of TCP (Table 36 of CP) and the average equity of Rs.500.96 lakhs, the opening equity turns out to be Rs. 706.84 lakhs for FY 20-21. However, as per audited annual accounts of BSSDPL, the closing equity of FY 19-20 is Rs. 904.80 Lakhs. Thus, the BSSDPL submits that the opening equity for the first year of TCP considered AERA does not seem to match with audited annual accounts of BSSDPL. The basis on which the opening equity has been taken by AERA is not explained.

The amount of debt as per AERA's Proposals does not match with the capex funding requirement/ the debt proposed by BSSDPL. Basis on which the amount of debt has been projected by AERA has not been explained in the consultation paper.

BSSDPL's Request

BSSDPL thus requests AERA to consider all the projections as mentioned in this stakeholder submission document and recompute the equity and debt accordingly after considering the opening.

7 Operating & Maintenance Expenditure

7.1 Basis of Estimation

AERA's Proposals

Employee Benefit Expenses: The Authority is however, of the view that due to COVID -19 pandemic, the increase in the payroll costs should be lower than what is generally considered during normal years and also the requirement of additional manpower may not be justifiable at this stage and also observes that the employee cost of the BSSDPL is disproportionate to their market share. Hence, the Authority is of the view that BSSDPL; Delhi should adopt cost control measures on such expenses so as to improve efficiency in its Operating Costs. Hence, the Authority propose to moderate the YoY increase of 3% in the employee benefit expenses. (Para 9.10.1 of CP)

Operational Expenses: The Authority further observes that BSSDPL, Delhi has taken some items like consumable of store, repair maintenance cost, safety and protection expenses etc. on a higher side during the Third Control Period. The Authority observes that the operational cost of the BSSDPL is disproportionate to their market share. Hence, the Authority is of the view that BSSDPL should adopt aggressive cost control measures on such expenses to maintain the efficiency in its operations. Hence, the Authority proposes to consider a moderate YoY increase of 3% in the operational expenses. (Para 9.10.2 of CP)

Administrative Expenses: The Authority, consider that the administrative cost of the BSSDPL is disproportionate to their market share. Hence, the Authority is of the view that BSSDPL requires to adopt cost controlling measures on such expenses to maintain the efficiency in its operations. Hence, the Authority proposes to consider a moderate YoY increase of 3% in the operational expenses after adjusting cost of consultant of Rs. 3.00 lakhs for the FY 2022-23 and onwards. (Para 9.10.3 of CP)

HQ Costs: The Authority further notes that in the annual audited account of BSSDPL, Delhi for the FY 2020-21, there is also an allocation of HQ cost to the tune of Rs. 61.83 lakhs. Hence, The Authority proposes to consider the HQ expenses for FY 2021-22 as projected by the BSSDPL, Delhi based on their policy. However, the Authority is of the view that YoY increase proposed by BSSDPL is on higher side. Hence, the Authority proposes to consider a very moderate YoY increase of 3% in the HQ cost allocated to BSSDPL. (Para 9.10.7 of CP)

Table 33: Percentage (%) Increase in OPEX proposed by the Authority for BSSDPL, Delhi for the Third Control Period.

Particulars	2022-23*	2023 -24	2024-25	2025-26
Employee Benefit Expenses	3%	3%	3%	3%
Operational Expenses	3%	3%	3%	3%
Administrative Expenses	3%	3%	3%	3%
HQ Cost	3%	3%	3%	3%

*Over FY 2021-22

BSSDPL's Submission

The Company is unable to arithmetically derive the operating expenses that AERA has projected for FY 2021-22. The basis on which the amounts for the first year of TCP have been projected by AERA is not clear. The Y-o-Y increase has been taken from FY 2022-23, (second year of TCP) over the FY 2021-22 (First Year of TCP).

The Y-o-Y increase of 3% as allowed by AERA in respect of Employee Benefit expenses, operational expenses, administrative expenses, and HQ Costs is not in line with the inflationary increases. There is no clear justification or basis based on which the increase of 3% has been proposed by AERA. It may be noted that AERA has allowed an inflationary increase of 4.9% for operational & maintenance expenditure, keeping in view the inflationary rate as per RBI rate for Indian Oil Skytanking Delhi Private Limited (IOSDPL), another ISP for into plane services in DIAL airport itself, in the Consultation Paper No. 33/2021-22 issued on the same day as that of BSSDPL. Hence, BSSDPL submits that there is no uniformity in the parameters adopted by AERA for similar service providers in the same airport.

BSSDPL further re-iterates that most of the expenses are not directly proportional to the volume of business as stated by AERA in the consultation paper. Most of these expenses are fixed in nature. BSSDPL has made a detailed-bottom up-computation while projecting the costs for the third control period. This has taken into account the nature of expense, inflationary increases and the volume of business.

BSSDPL further states that disallowance of costs and restricting it to only a 3% increase Y-o-Y will severely affect the cashflows of the Company and the very functioning of operations on day-to-day basis.

BSSDPL's Request

BSSDPL thus requests that AERA may explain all the basis, assumptions and workings based on which the employee benefit expenses, operational expenses, administrative expenses, and HQ costs have been projected for FY 2021-22. BSSDPL also requests AERA to provide a Y-o-Y increase as submitted in its MYTP.

7.2 Revenue Sharing/ Concession Fee

AERA's Proposals

The Authority notes that BSSDPL, Delhi has taken Revenue sharing/ Concession fee @ 7% of the Aeronautical revenue however, the Authority has proposed to consider the revenue share/Concession fee @ 5% of the Aeronautical revenue based on AERA Order No. 01/2018-19 dated 5th April 2018 on Capping the amount of Royalty, license Fee/Revenue Share payable to Airport Operator as a "pass through" expenditure for the Independent service Providers providing Cargo Facility, Ground handling, Supply of Fuel to Aircrafts at Major Airports. The Authority based on its order, proposes Airport Operator Fees @ 5% of the aeronautical revenue for the Third Control Period.

BSSDPL's Submission

AERA has allowed only 5% of Revenue share as a cost pass through. BSSDPL humbly submits that:

- The Royalty capping order is only applicable for Price Cap approach. As explained in detail in the submissions made, as per extant guidelines, the tariff is to be determined based on light touch approach only.
- Revenue share was being offered to DIAL on the basis of competitive tendering process of DIAL. Any revenue share earned by DIAL goes to cross subsidise the Aeronautical charges levied and collected by the Airport operator from airlines and passengers. Hence, the users are not put to any disadvantage. Accordingly, this may be allowed as a cost pass through fully.

Reduction of the revenue share reimbursement and not having these legitimate contracted costs reimbursed to BSSDPL puts the entity in a disadvantageous position and the return that is determined as fair is not in effect being given to BSSDPL.

BSSDPL's Request

BSSDPL thus requests AERA to consider the concession fee at 7% of the revenues.

7.3 Rental Costs

AERA's Proposals

The Authority notes that BSSDPL, Delhi has projected the rent for HQ Noida office rental (25% to BSSDPL, Delhi) and Fuel facility rental with DAFFPL for the Third Control Period. The rental agreements with DAFFPL were valid till 31st March 2021 which is in process for renewal. Therefore, the Authority has considered the rental expenses as proposed by BSSDPL.

The Authority also notes that the "New Office Space at T3" and "Land Space at T3" has still not been allotted to BSSDPL, Delhi by DIAL. Hence the Authority sought clarification. In response to that BSSDPL, Delhi vide email dated 27.12.2021 has submitted that they recently have approached to DIAL for the suitable land option at any other place of airport. They have finalized only 2000 Sq mtr land and the Rental for land would be charged hopefully from 1st Dec 2021 however, the matter is still in discussion. Also, the BSSDPL, Delhi has not proposed any rental for

the "New Office Space at T3" vide email dated 27.12.2021. The Authority proposes not to consider Rentals "Land Space at T3" in the FY 2021-22 as it is still in discussion process. However, The Authority accepts the Rental for the "Land Space at T3" for 2000 sqm as proposed by the BSSDPL, Delhi for FY 2022-23 and onwards. (Para 9.10.5 of CP)

Extract of Table 34: Operating & Maintaining Expenditure proposed by the Authority for the Third Control Period.

Particulars	Amount (Rs. In Lakhs)						
	2019-20	202--21	2021-22	2022-23	2023-24	2024-25	2025-26
Rental Expenses	89.25	100.91	156.91	405.81	270.53	297.27	326.67

BSSDPL's Submission

Clause 6.2 of the Concession Agreement provides the rental cost that BSSDPL will have to pay during the third control period as shown below:

Table 1

S.No	Particulars	License Fee	Annual Escalation on License Fee	Annual CAM Charges	Annual Escalation on CAM Charges
1	For Unpaved Land	Rs. 10,010	10%	Rs.660	10%
2	For Paved Land	Rs. 12,144	10%	Rs.660	10%
3	Node Office Space in Terminal Building	Rs.4,039	7.50%	Rs. 484	7.50%
4	Node Office Space at T3	Rs. 3,566	7.50%	Rs. 484	7.50%
5	Built up space at Line Maintenance Block	Rs. 1,715	7.50%	Rs. 484	7.50%

The Company has submitted the projections for rental costs based on above rates. It may also be noted that these facts were provided to the AERA in the replies to their queries during consultation.

However, the Company is unable to arithmetically derive the rental costs that AERA has projected for the Third control period from FY 2022-23 to FY 2025-26. The basis on which the amounts from FY 2022-23 to FY 2025-26 is projected by AERA is not clear.

Further BSSDPL also submits the following:

In FY 2021-22, BSSDPL has commenced paying the rental for New ITP depot w.e.f 27th January 2022. The total rental paid in FY 2021-22 is Rs. 37.41 Lakhs. The new ITP depot is expected to be completed and commissioned in FY 2023-24. Hence, BSSDPL would require to continue having the existing space till FY 2023-24. In view of this, BSSDPL submits the following revised projections for rental costs for consideration by AERA:

Particulars (Rs in lakhs)	2021-22	2022-23	2023-24	2024-25	2025-26
New ITP Depot	37.41	234.74	258.21	284.03	312.43
Old Space	156.91	171.07	186.52	13.23	14.23
Total Rental Costs	194.32	405.81	444.73	297.26	326.66

BSSDPL's Request

BSSDPL thus requests AERA to consider the revised costs which have been submitted as above.

7.4 True up of costs for Third Control Period

AERA's Proposals

The authority proposes to true up the Operation and Maintenance Expenditure based on actuals at the time of tariff determination for next Control Period to the maximum ceiling of 10%, in case the market share of BSSDPL does not increase upto 35% during the Third Control Period.

BSSDPL's Submission

The business of ITP is dependent on supplier & ITP is not directly involved in the refueling business of Airlines. It is the supplier who contracts the Airlines. Currently BSSDPL is doing 25 % of the Airport volume & historically this % hovered around 23.64% (17-18-27.11%, 18-19-26%, 19-20-23.30%, 20-21-20.90%, 21-22-20.90% till Jan,22) Therefore, BSSDPL submits that even with lot of efforts to get new business, getting to an average of around 35% market share will be a tough ask during the third control period. With the constant swings in the aviation business due to the pandemic, this would make getting to this average an even bigger task.

BSSDPL's Request

BSSDPL requests AERA to allow the entire true up of costs at the time of determination of the tariff for the next control period and not restrict it to 10% deviation.

8 Aggregate Revenue Requirement

8.1 Security Deposit & Return on Security Deposit

AERA's Proposals

The Authority notes that the BSSDPL, Delhi has considered Interest on security deposit in computation of ARR. The Authority observes that as per clause no. 6.7 of the concession agreement it is mentioned that the Selected Bidder has deposited Security Deposit equivalent to INR 3,00,00,000/- (INR Three Crores only) with DIAL as an interest free, refundable Security Deposit. At the end of every Financial Year, the Concessionaire shall reset the Security Deposit amount, which shall be higher of the following:

- A. An amount equivalent to the Revenue Share Amount paid during the preceding six (06) months and License Fee of last 6 months of License Fee for the Location; and
- B. INR 3,00,00,000/- (Indian Rupees Three Crores only).

The Authority proposes 5% return on security deposit in respect of the BSSDPL, Delhi which is consistent with the Authority's proposals in case of other ISP's/Airport Operators. Accordingly, the Authority re-calculated the Security Deposit (SD) and return on Security deposit based on the relevant provisions of the Concession Agreement as given below: (Para 11.5 of CP)

Table 39: Return on Security Deposit proposed by Authority for Third Control Period

Particulars	Amount (Rs. In Lakhs)				
	2021-22	2022-23	2023-24	2024-25	2025-26
Security Deposit	300.00	300.00	300.00	300.00	300.00
Return on Security Deposit @ 5%	15.00	15.00	15.00	15.00	15.00

BSSDPL's Submission

As per clause 6.7 of CP it is mentioned that that the Selected Bidder has deposited Security Deposit equivalent to INR 3,00,00,000/- (INR Three Crores only) with DIAL as an interest free,

refundable Security Deposit. At the end of every Financial Year, the Concessionaire shall reset the Security Deposit amount, which shall be higher of the following:

- C. An amount equivalent to the Revenue Share Amount paid during the preceding six (06) months and License Fee of last 6 months of License Fee for the Location; and
- D. INR 3,00,00,000/- (Indian Rupees Three Crores only).

As per the above-mentioned clause the Security Deposit would be higher than Rs. 3 crores in the last two years of Third control period (FY 2024-25 to 2025-26) based on the projections made by AERA. Though this clause has been mentioned by AERA in the Consultation Paper in Para No. 11.5, AERA has considered only Rs. 3 crores as security deposit throughout the control period.

BSSDPL also notes that the interest rate on the deposit has been considered at the rate of 5% in line with the assumptions taken in other ISP orders. BSSDPL submits that in order to pay this deposit to DIAL, in the absence of available cash flows, BSSDPL would only have to use the borrowed funds. Hence, BSSDPL states that atleast a return equal to the cost of debt of 9.90% may be provided by AERA.

BSSDPL's Request

BSSDPL thus requests AERA to recompute the exact security deposit amount after considering all the submissions in this document in addition to the submissions in MYTP and provide a return on the same equal to that of the cost of debt at least of 9.90%.

9 Abbreviations

Abbreviations	Expansion
ACS	Annual Compliance Statement
AERA	Airports Economic Regulatory Authority of India
ARR	Aggregate Revenue Requirement
ATM	Air Traffic Management
BPCL	Bharat Petroleum Corporation Limited
BSSDPL	Bharat Stars Services (Delhi) Private Limited
CAPEX	Capital Expenditure
CP	Consultation Paper
CWIP	Capital Work In Progress
DAFFPL	Delhi Aviation Fuel Facility Private Limited
DIAL	Delhi International Airport Limited
FRoR	Fair Rate of Return
FY	Financial Year
HPCL	Hindustan Petroleum Corporation Limited
IND AS	Indian Accounting Standard
INR	Indian Rupee
ITP	Into Plane
MYTP	Multi Year Tariff Proposal
RAB	Regulatory Asset Base
RIL	Reliance Industries Limited
Sq mtr	Square Metre
TCP	Third Control Period
YoY	Year on Year