

Date : 26th April, 2022

To,
Mr. Ram Krishan,
Director (P&S),
AERA.

Sub : Response to the comments/submissions received from Stakeholders on the Consultation Paper No. 34/2021-22 dated 29.03.2022 regarding the Determination of Aeronautical Tariff of M/s Air India SATS Airport Services Private Limited at Mangaluru International Airport, Mangaluru.

Dear Sir,

We write in response to the query received in regard to the Consultation Paper No. 34/2022-22 issued on March 29, 2022 by Airport Economic Regulatory Authority (AERA) of India. We thank AERA for sharing the concerns by the M/s SpiceJet Limited and would like to address the same pointwise.

At the risk of highlighting the obvious and what all of us are experiencing, the prevailing situation with the Corona Virus has adversely impacted the world of aviation in ways that are unprecedented. The evolving situation continues to be grave for us and the decisive measures put in place to curb the spread of the virus had impacted us tremendously as many other airlines.

The adverse effect already being experienced for AISATS across all locations has already resulted in some significant cost-cutting measures and the reduction/cessation in airline operations as a result of the sudden sharp decline in air travel has impacted our cash flows.

The statement of profit and loss account submitted to AERA is as below:

S.N.	Particulars	FY 2021-22 Tariff Year 1	FY 2022-23 Tariff Year 2	FY 2023-24 Tariff Year 3	FY 2024-25 Tariff Year 4	FY 2025-26 Tariff Year 5
1	Revenue					
	Revenues from regulated services	66,320,100	75,348,258	79,115,671	89,071,454	96,525,027
	Revenues from other than regulated services	529,061	545,176	561,786	578,907	596,556
2	Operating expenditure					
	Payroll cost	51,729,678	57,264,676	57,754,440	52,552,158	59,845,517
	Administrative and General	6,675,119	6,875,372	7,081,633	7,294,082	7,512,905
	Concession fees	5,820,100	6,612,390	6,943,010	7,816,707	8,470,815
	Repair and Maintenance cost	5,923,653	6,101,362	6,284,403	3,250,565	1,688,561
3	Earnings before depreciation, interest and taxation (EBITD)	(3,299,388)	(960,367)	1,613,971	18,736,850	19,603,785
	Depreciation and amortization	5,036,270	6,623,770	8,634,604	10,090,681	11,322,342
4	Earnings before interest and taxation (EBIT)	(8,335,658)	(7,584,137)	(7,020,633)	8,646,169	8,281,443
	Total interest and finance charges	-	-	-	-	-
5	Profit / loss before tax	(8,335,658)	(7,584,137)	(7,020,633)	8,646,169	8,281,443
	Provision for taxation	(2,912,812)	(2,650,201)	(2,453,290)	3,021,317	2,893,867
6	Profit / loss after taxation	(5,422,846)	(4,933,936)	(4,567,343)	5,624,852	5,387,576
7	Balance carried to balance sheet	(5,422,846)	(4,933,936)	(4,567,343)	5,624,852	5,387,576

Air India SATS Airport Services Private Limited

16th Floor, Commerz II, International Business Park, Oberoi Garden City, Off Western Express Highway, Goregaon (East), Mumbai - 400063 | Tel: +91-22-4203 7000 | www.aisats.in

Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001

(CIN): U74900DL2010PTC201763

As desired by AERA, please find our responses to the concerns raised:

- 1) M/s Spicejet Ltd. has raised its concern towards procurement of CAPEX by AISATS and its subsequent impact on the tariff approval by AERA. In this connection, we would humbly submit that the procurement of CAPEX is towards replacement of leased assets. The company is badly affected by the pandemic and the management is sensitive about the measures of cost control. As is evidenced from the above projection, that the company would still be under losses for first 3 tariff years. The CAPEX procurement is towards serving normal business operations and thus does not lead towards increase in the costs.
- 2)
 - a. M/s Spicejet Ltd. raised its concern that the company has charged depreciation of Rs. 50.36 lakhs in the first tariff year even though the Capital Expenditure is NIL in the same year. We would like to bring it to your notice that the audited Written Down Value of CAPEX as on 31st March, 2021 is Rs. 285.76 lakhs. Even though any Capital Expenditure is not incurred by the company for the First Tariff Year i.e. FY 2021 – 22, the depreciation is bound to be charged as per accounting principles and in accordance with AERA Order No. 35 / 2017-18 on the opening written down value. Thus, the depreciation is calculated at Rs. 50.36 lakhs for the First Tariff Year i.e. FY 2021 – 22, as is evidenced from the above projection.
 - b. M/s Spicejet has raised its concern over the percentage increase in projection over the expenses. At the outset, we would like to highlight that the Payroll Costs and the Repairs & Maintenance Costs for the Tariff Year 4 and 5 which is considered by M/s Spicejet Ltd. is incorrect. The projection and its correct percentage is demonstrated below.

	FY 2020-21	FY 2021-22 Tariff Year 1	FY 2022-23 Tariff Year 2	FY 2023-24 Tariff Year 3	FY 2024-25 Tariff Year 4	FY 2025-26 Tariff Year 5
Payroll cost	52,149,446	51,729,678	57,264,676	57,754,440	52,552,158	59,845,517
Percentage increase		-1%	11%	1%	-9%	14%
Administrative and General	30,015,435	6,675,119	6,875,372	7,081,633	7,294,082	7,512,905
Percentage increase		-78%	3%	3%	3%	3%
Concession fees	3,021,326	5,820,100	6,612,390	6,943,010	7,816,707	8,470,815
Percentage increase		93%	14%	5%	13%	8%
Repair and Maintenance cost	5,751,119	5,923,653	6,101,362	6,284,403	3,250,565	1,688,561
Percentage increase		3%	3%	3%	-48%	-48%

There is no deviation with Table 5 of the Query raised by M/s SpiceJet. We would also like to highlight that in spite of projecting lower costs, the company is projecting losses in the first 3 years.

90% increase in Administration and General Expenses is mainly towards Bad Debts. This is one time expenses and is not factored in the projection.

Air India SATS Airport Services Private Limited

16th Floor, Commerz II, International Business Park, Oberoi Garden City, Off Western Express Highway, Goregaon (East), Mumbai - 400063 | Tel: +91-22-4203 7000 | www.aisats.in

Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001

(CIN): U74900DL2010PTC201763

165% increase in repair and maintenance from Rs. 21.66 lakhs to Rs. 57.51 lakhs is towards repair and maintenance of Ground Support Equipment which is in normal course.

Reference to the cost cutting measures, AISATS had taken necessary actions to bring its cost down. These include reduction in manpower costs, fuel costs, overhead costs, re-negotiation with airport operator on rentals and concession fee.

- 3) Kindly note that this is a policy related matter which needs discussion at the Ministry level. This is a contractual matter between Airport Operator and concessionaire which is prevalent at all airports and is beyond the ambit of regulatory authority. Reference to the current concession agreement, the concession fee percentages with the relevant documents have been shared with AERA.
- 4) The approved AERA ceiling rate has no correlation with the Handling rates charged to the airlines. Every airline has a separate handling rate depending on the services requested and the negotiation with the ISP. However, we have noted your concerns for any future approvals.

We appreciate your kind understanding and co-operation as we recover from this temporary setback.

Thanks & Regards,



Kalpesh Kumar Singh
Head – Commercial Business Development
Corporate Headquarters

Air India SATS Airport Services Private Limited

16th Floor, Commerz II, International Business Park, Oberoi Garden City, Off Western Express Highway, Goregaon (East), Mumbai - 400063 | Tel: +91-22-4203 7000 | www.aisats.in

Registered Office: Airlines House, 113, Gurudwara Rakabganj Road, New Delhi - 110001
(CIN): U74900DL2010PTC201763