

Dated: 30th August 2022

Ref: AERA/Finance/2022-23/01

Director (P&S)
Airports Economic Regulatory Authority of India
AERA Administrative Complex,
Safdarjung Airport, New Delhi -110 003

Sub: Response to Consultation Paper No.07/2022-23 dated 5th August 2022

Ref: Determination of Aeronautical Tariff for Mangaluru International Airport Limited for the First Control Period (01.04.2021-31.03.2026)

Dear Sir,

We thank the Authority for providing an opportunity to BIAL for sharing its comments and suggestions on the proposed position taken by AERA in the said consultation paper. In this regard, please find below our responses on the specific proposals contained in the above-mentioned Consultation Paper for the kind consideration of the Authority.

1) Capping of R&M expenses to 6% of opening RAB

AERA has restricted the R&M expenses to lower of 6% of opening RAB or the submissions of airport operator. This approach is against the provisions of AERA Act. As per section 13 of the AERA Act, Authority has to ensure economic and viable operation of the airports. The capping of the R&M expenses by the Authority is not in consonance to the mandate under the AERA Act. Restricting the expenses will compromise the operations of the Airport, as the operator will not be able to incur more than what has been allowed by Authority.

The AERA guidelines published so far in regard to Airport operators, does not provide for any capping of R&M expenses to any value. Therefore, we are not able to understand the logic for the proposed capping principle. Such fundamental changes to economic regulation of airports need to have some compelling reason and the Consultation Paper does not have any such analysis.

2) Inflation considered at 4.9%

AERA has decided to consider WPI inflation at 4.9% for the First Control Period based on average of the median WPI inflation forecasts of the 4th quarter of FY 2020-21 and of FY 2021-22, as given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI.

As AERA is well aware, Inflation has emerged as a major concern for the economy over the last few months. Reserve Bank of India (RBI) has signaled a shift in focus from reviving growth to mitigating risks posed by inflation.

RBI, in its monetary policy statement for FY2022-23, published on 8th June 2022, has clearly concluded as given below:

“Taking into account these factors, and on the assumption of a normal monsoon in 2022 and average crude oil price (Indian basket) of US\$ 105 per barrel, **inflation is now projected at 6.7 per cent in 2022-23**, with Q1 at 7.5 per cent; Q2 at 7.4 per cent; Q3 at 6.2 per cent; and Q4 at 5.8 per cent, with risks evenly balanced”

Therefore, we request AERA to consider latest inflation projection of RBI for forecasting the operating expenses of the airport.

3) Deferment of ARR to next control period

We request Authority to consider the cash flow requirements of the Mangaluru Airport while making a decision on the deferment of ARR, as it might affect the capacity of the Airport Operator to raise required finances to meet the capex requirements of the Airport.

We also request the Authority to publish the cash flow impact on the airport operator, on account of the decision to defer a portion of ARR, as an addendum to the Consultation paper along with the assumptions used therein.

Further, we request Authority to take the consent of the Airport Operator on the deferment and not proceed on the same in a unilateral manner. Deferment of ARR may not be in the interest of airport users as well as they will have to pay for the same along with carrying costs, in next Control Period.

Thanking you,

Yours faithfully,

For Bangalore International Airport Limited



Bhaskar Anand Rao
Chief Financial Officer