


Airports Authority of India - Indore International Airport

Tariff Determination for the Second Control Period – from 1st April 2023 to 31st March 2028
and
True Up of First Control Period from 1st April 2019 to 31st March 2023



**(Truing up for 1 st Control
Period 1.4.2018 to 31.3.2023
and projection for 2nd Control
Period 01.04.2023 to
31.03.2028)**

True up of First Control Period – Comparison of MYTP submission and AERA CP

Particulars (Rs in crores)	AAI	AERA	Difference	Remarks
Average RAB (Average of 5 years)	577.33	565.55	(11.78)	<ul style="list-style-type: none">• Change in the allocation ratio of various assets including Solar Power Plant resulting in variance of Rs 1.13 cr. i.e. change in Terminal Building ratio from 92.82%: 7.18% (Aero: Non Aero) to 92%:8% (Aero: Non Aero)• AERA has considered lease of XBIS of Rs 0.83 crores as operating lease instead of Financial Lease as recommended by AAI based on CAG's comments as well as the opinion of Expert Advisory committee of ICAI in FCP accordingly which has impacted RAB, return on RAB and depreciation.

True up of First Control Period – Comparison of MYTP submission and AERA CP

Particulars (Rs in crores)	AAI	AERA	Difference	Remarks
Depreciation	50.58	48.28	(2.30)	<ul style="list-style-type: none"> AERA has not considered Financing Allowance of Rs. 8.24 crore in RAB as claimed by AAI in FCP resulting in corresponding impact on dep. AERA has not considered Financial Lease assets of Rs. 0.83 cr in RAB as claimed by AAI in FCP resulting in corresponding impact on dep. Reclassification and reallocation of assets resulting in variance of Rs. 1.46 cr. resulting in corresponding impact on dep. Re-computation of depreciation based on date of capitalization of the asset/assets put to use instead of 50%. (4.4.37-page- 37)

True up of First Control Period – Comparison of MYTP submission and AERA CP

Particulars (Rs in crores)	AAI	AERA	Difference	Remarks
Operating Expenditure	315.68	267.25	(48.43)	<ul style="list-style-type: none"> <li data-bbox="919 229 2504 499">• AERA has reduced the Administrative cost related to CHQ/RHQ allocation by Rs. 37.74 cr i.e. 29.46%, (from INR 126.75 Crore to INR 89.01 Crore resulting in huge reduction (table 34-page 46) over and above the 5% which AAI has already deducted at the time of submission of model on account of non –aero expenses. So, the total deduction is 34.46%, which is very huge in comparison to other airports. <li data-bbox="919 585 2504 685">• Rationalization of expenses to the extent of ₹ 0.33 crores due to application of various ratios for allocation of R&M expenses into aeronautical and non-aeronautical(page 51) <li data-bbox="919 785 2504 885">• Application of Gross Block Ratio as computed by AERA to municipal taxes, consultancy fees etc.

MOCA's DIRECTIONS ON PPP MODEL FOR INDORE AIRPORT(2nd ROUND)

- MOCA vide its letter dt 1/10/2019 , exercising its power conferred to the Central Government under the definition of “Major Airports” and section 42 (2) of AERA Act ,2008, AERA was directed to determine the Airport charges in respect of all the six AAI Airports including Indore Airport proposed under PPP Process.



NON CONSIDERATION OF INDORE AS A MAJOR AIRPORT DURING F.Y 2020-21 BY AERA.

As Per AAI


Comparison of Projected vs Actual Passenger throughput for 1st Control Period

Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Projection as per Tariff order(1 st CP)	3080005	3627967	4273415	5033695	5929236
Actual	3158938	2893449	895391	1622682	2813144
Y-o-Y % Variation	39.4%	-8.4%	-69.1%	81.2%	73.4%

- In FY 2019-20 there is a decrease mainly due to closure of operations by Jet Airways with no replacement for those vacant slots and after the outbreak of Covid-19 pandemic from January 2020.
- Actual Pax Figures in FY 2019-20 literally was only for 3 quarters (April 2019 to Dec 2019) and without the effect of the pandemic the Pax handled would have crossed 3.6 Million which would have been in line with AERA's projection for F.Y 2019-20.
- Also with the above trend the Pax handled at Indore Airport would have touched 4.2 Million in F.Y 2020-21 in line with the approval of AERA's order with out the effect of the pandemic.
- Decrease was also due to Covid-19 pandemic as the Govt. had imposed "new travel restriction, partial lockdown, and the continued imposition of restrictive quarantine had hampered the passenger markets."

It is expected that the regulator will ensure " Neither the airport operator should suffer loss nor the passenger should be over charged." Being an airport operator we request AERA to consider the above facts which is beyond the control of the airport operator and consider the short fall of FY 2020-21 while determining the tariff for the 2nd C.P.

NON CONSIDERATION OF INDORE (I) AS A MAJOR AIRPORT &(II) UNDER RECOVERY OF Rs 50.66 CRORES DURING F.Y 2020-21 BY AERA.

AS PER AERA	AAI's comments.
<p>1. As stated in the para 1.1.3, Indore International Airport had become a Non-Major Airport in FY 2020-21, due to the passenger throughput and designated passenger handling capacity being lower than the threshold limit of 3.5 MPPA defined under AERA Act 2008 read with AERA Amendment Act, 2019. The Authority had not considered the true up for a complete financial year (FY 2020-21), the Authority, therefore, proposes not to consider the under recovery of FY 2020-21 for the true-up of the First Control Period.</p>	<p>In continuation to MOCA 's direction vide its letter dt 1/10/2019 , MoCA vide letter No. AV 20036/9/2017-AD dt. 14th January 2020 also has clarified that tariff would continue to be applicable for the 1st Control Period i.e. Up to 31st March 2023 irrespective of the passenger throughput and the designated handling capacity and the tariff for the next control period would be determined based on the passenger throughput criteria as defined in the AERA Act</p> <p>It is clear from MOCA's letter that the tariff was to be determined by AERA treating Indore Airport as a major Airport irrespective of the passenger throughput and the designated handling capacity , including true up of the entire previous control period (01/04/2018 to 31/03/2023) so that the airport operator need not go through the loss due to change in law on account of AERA act amendment .</p> <p>Whereas AERA vide CP 04/2024-25 has considered a period of only 4 years (excluding F.Y 2020-21) while truing up the 1st Control Period leaving a gap of 1 year which is not in line with the MOCA'S directives..</p> <p>This has resulted in under recovery of Rs. 50.66 Cr of FY 2020-21 which AAI will never be able to recover . AERA is requested to consider the under recovery of F.Y 2020-21 also .</p> 

EFFECT ON COMPOUNDING DUE TO EXCLUSION OF F.Y 2020-21 IN TRUE UP.

AERA'S CONTENTION	AAI's comments.
<p>As stated in para 4.11.2, Indore International Airport had become a Non-Major Airport in FY 2020-21, as its passenger throughput during FY 2020-21 was lesser than the threshold limit of 3.5 MPPA defined under the AERA Amendment Act, 2019. Therefore, the Authority proposes not to consider the under-recovery for the FY 2020-21 for true up of the First Control Period, while determining tariff for the Second Control Period.</p> <p>Simultaneously, the Authority proposes to calculate compounding of Under-recovery for the FY 2018-19 to FY 2022-23 by excluding compounding impact for FY 2020-21 (as the Airport had been a Non-Major Airport during FY 2020-21).</p>	<p>Indore Airport was originally a major airport during the First control period but due to change in limits of passenger throughput from 1.5 MPPA to 3.5 MPPA, AERA has considered Indore Airport for FY 2020-21 as non-major airport and this year was considered outside AERA's regime which is not in line with the Public Notice 17/2019-20 issued by AERA based on the clarification of MOCA vide letter dt 14/1/2020.</p> <p>Irrespective of whether FY 2020-21 is considered as Major/Non major, the shortfall of the previous years of the control period in which AAI was a Major airport should be compounded in FY 2020-21 till the effective date of the revised tariff as per AERA order. This impact due to not compounding in FY 2020-21 has resulted in loss of Rs. 73.96 Cr. to AAI.</p> <p>It is also very pertinent to mention that AERA has carried forward a shortfall of Rs. 193.34 Crores in the first control period to the second control period. AAI ought to get the compounding for the entire second control period till the year of implementation of tariff.</p>

EFFECT ON COMPOUNDING DUE TO EXCLUSION OF F.Y 2020-21 IN TRUE UP.
(contd..)

PV of Shortfall as per AAI						
Year	2018-19	2019-20	2020-21	2021-22	2022-23	TOTAL
Short fall as per AERA(Rs in crs)	73.85	(7.88)		41.76	25.78	133.51
Compounding year	4	3		2	1	
PV Factor@13.36%	1.65	1.46		1.28	1.13	
PV of Shortfall (A)	121.94	(11.48)		53.45	29.13	193.04
Short fall as per AAI (Rs in crs)	73.85	(7.88)	50.66	41.76	25.78	184.17
Compounding year	5	4	3	2	1	
PV Factor@13.36%	1.87	1.65	1.46	1.28	1.13	
PV of Shortfall (B)	138.10	(13.00)	73.96	53.45	29.13	281.64
Diff in PV of Shortfall (B-A)	16.31	(1.52)	73.96	0	0	88.60

IN VIEW OF THE ABOVE AERA IS REQUESTED TO CONSIDER THE EFFECT OF COMPOUNDING FOR THE ENTIRE CONTROL PERIOD .



Proposal for Second Control Period(FY 2023-24 to FY2027-28)



Second Control Period – Comparison of MYTP submission with AERA CP

Particulars (Rs in crores)	AAI	AERA	Diff	Remarks
Opex	495.65	389.30	(106.35)	
a) Payroll expenses	115.64	102.88	(12.76)	<ul style="list-style-type: none"> • Payroll expenses reduced by Rs. 12.76 crores :- ✓ Growth rate of Payroll expenses reduced to 6% y-o-y from 7% y-o-y ✓ Further, non consideration of 8% additional one time increase in payroll for FY 2025-26 on account of re-open of old terminal building after refurbishment for international operations. ✓ Further, non consideration of 25% additional one time increase in payroll for FY 2027-28 claimed by AAI on account of 8th pay commission.
b) Admin expenses other than CHQ/RHQ	61.74	42.63	(19.11)	<ul style="list-style-type: none"> • Admin expenses other than CHQ/RHQ reduced by Rs.19.11 crores : ✓ AERA considered only inflation rate (negative in FY 2023-24 and for FY 24-25 to FY 27-28, ranging from 3% to 3.20%) instead of 10% y-o-y increase proposed by AAI. ✓ Considering 20% increase in upkeep expenses for FY 2025-26 only instead of 30% as proposed by AAI on account of re-open of old terminal building after refurbishment for international operations.
c) Admin expenses CHQ/RHQ	182.34	147.28	(35.06)	<ul style="list-style-type: none"> • Admin expenses CHQ/RHQ reduced by Rs. 35.06 crores : ✓ Non consideration of 25% increase for FY 2027-28.
d) Repair and Maintenance expenses	94.61	58.06	(36.55)	<ul style="list-style-type: none"> • Repair and Maintenance expenses reduced by Rs. 36.55 crores : ✓ Capping at 6% of opening RAB (Net Block). Authority will take final call on views from stakeholders. ✓ Shifting of one time increase of 30% from FY 2025-26 to FY 2027-28.
e) Utility expenses	36.27	33.35	(2.92)	<ul style="list-style-type: none"> ▪ Utility expenses reduced by Rs.2.92 crores : ✓ Growth rate reduced to 5% y-o-y from 10% y-o-y

CAPPING OF R&M EXPENSES

Particulars	Disallowed by AERA	AAI's Submission
R&M Expense	36.55 crores	<ul style="list-style-type: none">• There are various heads of R&M expenses which are incurred for operational requirements & regular maint. of the airport operator infrastructure and equipment at the airport• Applying a ratio on the depreciated WDV (Net block) will further reduce the cost where as the reality is that the costs will increase to make good the wear and tear over the years• R&M expense varies based on various factors incl. location and other conditions• Even if buildings are new it is not justifiable reason to reduce the recovery of expenses to a percentage of opening RAB• Restricting R&M expense to 6% of Opening RAB discourages Airport Operator to spend on R&M to maintain the quality standard and enhance customer satisfaction.• Hence, AERA is requested consider expenses projected by AAI.

PROPOSAL FOR 2ND CONTROL PERIOD (R&M Expense)



To highlight the effect of restricting R&M to 6% of opening RAB, actual values of two assets along with their AMC costs have been shown below. Total value of assets is Rs. 31.54 Lakhs (Rs.17.00 Lakhs + Rs.14.54 Lakhs).

Amount in Lakhs

Year	Capitalisation	1st	2nd	3rd	4th	5th	6th
Opening RAB	31.54	27.60	23.66	19.71	15.77	11.83	7.89
Depreciation	3.94	3.94	3.94	3.94	3.94	3.94	3.94
Net RAB	27.60	23.66	19.71	15.77	11.83	7.89	3.94

Year	Cap.	1st	2nd	3rd	4th	5th	6th
AMC Cost	0	5.33	5.70	11.88	12.71	13.38	14.33
% of AMC on Net RAB		23%	29%	75%	107%	170%	364%
6% of Net RAB		1.42	1.18	0.95	0.71	0.47	0.24
Net loss to AAI (Diff.)		-3.91	-4.52	-10.94	-12.00	-12.91	-14.10

AAI would like to highlight that even in the first year the R&M costs of the assets far exceeds the cap of 6% of opening RAB.

PROPOSAL FOR 2ND CONTROL PERIOD (R&M Expense: Supporting Documents)

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1.2 Payment for Supply and Commissioning of Mechanized Grass Cut Cum Collect Machines in INR:

S. No.	Description	Qty.	Amount (INR)
1.	Custom Duty	24	9,588,405.20
2.	GST	24	24,082,291.58
3.	Average Basic Cost of Inland Transportation Charges	24	2,807,280.00
4.	Average Basic Cost of Inland Transit Insurance	24	133,847.10
5.	Custom Clearing and Forwarding Charges	24	3,105,052.20
6.	Tax on Average Inland Transportation Charges	24	505,310.40
7.	Tax on average Inland Transit Insurance Charges	24	24,102.50
8.	Tax on Custom Clearing and Forwarding charges	24	558,949.50
Total Amount		24	40,805,238.48
Total amount in Words: Rupees Forty Million Eight Hundred Five Thousand Two Hundred Thirty Eight and Forty Eight Paisa Only.			

2.1 Payment for Supply and Commissioning of Tractors:

S. No.	Description	Qty.	Amount (INR)
1.	Basic Rate	24	29,400,000.00
2.	GST	24	3,528,000.00
3.	Average Basic Cost Of Inland Transportation Charges	24	1,617,000.00
4.	Average Basic Cost Of Inland Transit Insurance	24	51,597.00
5.	Tax on Average Inland Transportation Charges	24	291,060.00
6.	Tax on Average Inland Transit Insurance Charges	24	9,282.00
Total Amount			34,896,939.00
Total amount in Words: Rupees Thirty Four Million Eight Hundred Ninety Six Thousand and Nine Hundred Thirty Nine Only.			

1. Payment for Operation & Comprehensive Annual Maintenance Contract:

Payment for Operation and CAMC of Mechanized Grass Cut Cum Collect Machines & tractors shall be made as per the following details by the respective airports:

AMC Cost >>

S. No.	Description	Qty. (Nos.)	Rate Per Year (INR)	Amount Per Year (INR)
1.	1 st Year	24	532,876.48	12,789,035.66
2.	2 nd Year	24	570,077.29	13,681,855.13
3.	3 rd Year	24	1,188,415.10	28,521,962.55
4.	4 th Year	24	1,271,362.86	30,512,708.67
5.	5 th Year	24	1,338,223.77	32,117,370.69
6.	6 th Year	24	1,433,236.66	34,397,679.88
Total amount			6,334,192.19	152,020,612.60
Total amount in Words: Rupees One Hundred Fifty Two Million Twenty Thousand Six Hundred Twelve and Sixty Paisa Only.				

RECATEGORIZATION OF TB RATIO ON A/C OF SPACE RENT FROM AIRLINES CONSIDERED AS AERO REVENUE

Particulars	considered AERO by AERA	AAI's Submission
Space Rent Received from Airlines considered as Aero instead of Non-Aero.	4.45 Cr	<ul style="list-style-type: none">• AERA has considered Rs. 4.45Cr as Aero Revenue on account of space rent (Non Aero) received from the airlines during the first control period .▪ AAI has proposed the above amount as Non Aero in line with the previous order issued by AERA. (earlier Tariff orders of PPP airports- Mangalore, Ahem).▪ On the other hand AERA had considered Terminal Building Ratio 92%:8% (Aero: Non Aero) against actual from 92.82%: 7.18% (Aero: Non Aero) (which includes Average space allotted to Airlines 312.52 sqm was considered as Non Aero).▪ AERA is requested to revise the TB Ratio in line with its consideration of Space rental income received from Airlines as Aero revenue instead of Non Aero revenue.

AAI'S SUBMISSION ON CP 04/2024-25

Terminal Building Ratio (As per Proposal submitted by AAI)					
Particulars	2018-19	2019-20	2020-21	2021-22	2022-23
Space Rented	1050.95	1526.80	1109.80	1252.75	1524.46
Capacity	18000	18000	18000	18000	18000
Non-Aero %	5.84%	8.48%	6.17%	6.96%	8.47%
Aero %	94.16%	91.52%	93.83%	93.04%	91.53%

Revised Terminal Building Ratio (Space allotted to Airlines considered as Aero instead of Non- Aero as per AERA Decision)						
Particulars	Location	2018-19	2019-20	2020-21	2021-22	2022-23
Space Rented (A)	TB	1050.95	1526.80	1109.80	1252.75	1524.46
Space to Airlines (B) (Included in space rent)	Considered as AERO	183.03	259.03	301.03	416.48	403.03
Airlines space (%) on total Area		1.02%	1.44%	1.67%	2.31%	2.24%
Airlines space (%) on Non Aero		17.42%	17%	27.12%	33.25%	26.44%
C= (A-B)	T.B(SQM)- Excluding airlines space	867.92	1267.77	808.77	836.27	1121.43
Capacity (D)	T. B(SQM)	18000	18000	18000	18000	18000
Non-Aero % (Revised)	T. B(SQM)	4.82%	7.04%	4.45%	4.65%	6.23%
Aero % (Revised)	T. B(SQM)	95.18%	92.96%	95.55%	95.35%	93.77%

- ❖ It can be seen from the above table that space allotted to Airlines is 25% of total Non-Aero area considering 5 years average. AERA is requested to consider the revised actual Terminal Building ratio for allocation of operating exp and for Asset allocation.
- ❖ From the above table it can be seen that considering airline space as Aero results in actual TB ratio during First control period as 94.56%:5.44% . It is also requested to revise the Terminal building ratio from 92%:8% to 94.56%:5.44%.
- ❖ For the Second control period the actual TB ratio is 93.77% : 6.23% should be considered.



धन्यवाद।

Thank You

No.AV-24011/141/2015-AD (Vol.V)

Government of India
Ministry of Civil Aviation
AD Section

B-Block, R.G. Bhawan,
Safdarjung Airport, New Delhi
Dated 01.10.2019

To,
The Chairman,
Airports Economic Regulatory Authority,
AERA Building, S.J. Airport,
New Delhi.

**Subject: Proposal for next round of airports for leasing through PPP –
regarding.**

Sir,

Airports Authority of India has submitted a Board Resolution passed by AAI to this Ministry for leasing of six airports viz. Trichy, Amritsar, Varanasi, Bhubaneswar, Raipur and Indore as a part of second phase of PPP. Out of these six airports, the AERA has determined tariff for airports at Bhubaneswar and Indore for the period 2018 to 2023. For the remaining four airports namely, Trichy, Varanasi, Amritsar and Raipur, the tariff has been determined by the Ministry.

2. The tariffs payable are very important input in the bid process and indeed tariffs would determine the bid amount for leasing of airports. Therefore, it has been decided by the Competent Authority that AERA should determine the tariff for all six airports proposed under PPP to ensure that the determination process of PPP airports is transparent, fair and objective manner.

3. Therefore, in exercise of power conferred to the Central Government under definition of "Major Airports" and Section 42 (2) of AERA Act, 2008, AERA is directed to determine the airports charges in respect of all the six AAI airports proposed under PPP process.

Yours faithfully,

(S.K. Singh)

Under Secretary to the Govt. of India
Tel:24610361

File No. AERA/20010/Misc/ 2010-11/Vol-III
Airports Economic Regulatory Authority of India

AERA Building,
Administrative Complex,
Safdarjung Airport,
New Delhi - 110 003.
Date: 16th March, 2020

Amendment to Public Notice 17/2019-20

Sub.: Major Airports under clause (1) of Section 2 of the AERA Act, 2008.

The following is in partial modification of the earlier Public Notice on the subject.

As per the provision of clause (3) of Section 2 of the Airports Economic Regulatory Authority of India Act 2008, as amended by AERA (Amendment) Act 2019 or as notified by Ministry of Civil Aviation under the said provision, the following airports are considered as "major airports" as on 28.12.2020.

1. Indra Gandhi International Airport, Delhi
2. Chhatrapati Shivaji Maharaj International Airport, Mumbai
3. Kempegowda International Airport, Bengaluru
4. Rajiv Gandhi International Airport, Hyderabad
5. Cochin International Airport, Kochi
6. Chandigarh International Airport, Chandigarh
7. Chennai International Airport, Chennai
8. Netaji Subhas Chandra Bose International Airport, Kolkata
9. Sardar Vallabhbhai Patel International Airport, Ahmedabad
10. Trivandrum International Airport, Thiruvananthapuram
11. Chaudhary Charan Singh International Airport, Lucknow
12. Jaipur International Airport, Jaipur
13. Lokpriya Gopinath Bordoloi International Airport, Guwahati
14. Calicut International Airport, Kozhikode
15. Goa International Airport, Goa
16. Pune International Airport, Pune
17. Jay Prakash Narayan International Airport, Patna
18. Guru Ram Dass Jee International Airport, Amritsar
19. Lal Bahadur Shastri International Airport, Varanasi
20. Biju Patnaik International Airport, Bhubaneswar
21. Swami Vivekananda Airport, Raipur
22. Tiruchirappalli International Airport, Tiruchirappalli
23. Mangalore International Airport, Mangalore
24. Kannur International Airport Limited, Kannur

Kannur International Airport Limited (KIAL), Kannur is declared as 'Major Airport' based on their certified built-up capacity of 9.74 mppa with built-up terminal area of 9649 sqm.

Further, as per the clarification of MoCA vide letter no. AV.20026/9/2017-AD dated 14.01.2020, the tariff as already determined by AERA for Indore, Srinagar, Coimbatore, Visakhapatnam and Nagpur Airports, shall continue to be applicable for the current Control Period even though these are not 'major airports' under the amended AERA Act. Once the current Control Period is over, the tariff determination shall take place based on the passenger throughput criteria as amended in AERA Act.

This is for the information of all concerned.


(Ram Kirshon)
Director (Policy & Statistics)