

Airports Authority of India - VARANASI International Airport

Tariff Determination for the Second Control Period – from 1st April 2024 to 31st March 2029
and
True Up of First Control Period from 1st April 2019 to 31st March 2024

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

Particulars	AAI	AERA	Difference	Remarks
Payroll expenses	108.04	105.30	-2.74	<ul style="list-style-type: none">✓ AERA has restricted payroll expenses considering 6% YOY increase from 20-21 to 23-24 against Actuals.❖ AERA is requested to consider actual payroll expenses as claimed by AAI.

True up for 1st CP – Non Aero(%) to Total Area of Terminal Building

Terminal Building area (Space allotted to Airlines considered as Aero instead of Non Aero as per AERA Decision .						
Particulars	Location	2019-20	2020-21	2021-22	2022-23	2022-23
Space Rented (A)	Non Aero-area (SQM)	1591.80	1561.21	1457.54	1353.39	1389.41
Space to Airlines (B) (Included in space rent)	Considered as AERO	411.03	389.62	389.62	389.62	438.94
Airlines space (%) on Non Aero		25.82%	24.96%	26.73%	28.79%	31.59%
Airlines space (%) on total Area		1.53%	1.45%	1.45%	1.45%	1.64%
C= (A-B)	Net Non Aero area (SQM)-Excluding airlines space	1180.77	1171.59	1067.92	963.77	950.47
Capacity (D)	T. B Area (SQM)	26822.79	26822.79	26822.79	26822.79	26822.79
Non-Aero %		4.40%	4.37%	3.98%	3.59%	3.54%
Revised Aero % for Consideration		95.60%	95.63%	96.02%	96.41%	96.46%

- ❖ It can be seen from the table that Space utilized by airlines is 25% to 32% of total Non-Aero(Commercial), hence AERA is requested to consider Space allotted to airlines as Aero for calculating Terminal Building Ratio .
- ❖ At the time of MYTP proposal of Varanasi airport , Terminal building Ratio 90:10 (Aero : Non-Aero) was proposed considering the Airlines space as Non-Aero, however ,recently AERA has changed its decision of revenue of Airlines space from Non-Aero to Aero but the same airlines space has been considered as non-aero by AERA while calculating Terminal Building ratio.

2ND Control Period

1st April 2024 to 31st March 2029

NORMATIVE COST OF PROPOSED TERMINAL BUILDING (AAI vs AERA)

	COST	COST-AERO (AAI)-93%	COST-AERO (AERA)-90%	Diff	
AERA (in Sqm)	83785	83785	81345	-2440.00	✓ Basement area- excluded however cost has not been excluded.
Cost of TB.Fixed Wing & Substation as per normative cost of Rs.144734/-	1212.65	1127.77	1059.60	-68.16	✓ Lower Area and higher Ratio is applied
CTX Machine	91	91	81.9	-9.10	✓ AAI does not charge from anyone, it's a security requirement (BCAS)
Art Work	10	9.3	9	-0.30	✓ 90% instead of 93% is applied
PMC Charges	26.18	24.35	23.56	-0.79	✓ 90% instead of 93% is applied
Sky Walk	9.54	9.54	8.59	-0.95	✓ It's a approach road from MLCP to TB, wrongly applied TBR
Underground water tank	6.9	6.9	6.21	-0.69	✓ It's a basic requirement for Passenger
Road & Footpath	41.29	41.29	37.16	-4.13	✓ Not used for commercial activity, its totally outside of TB
Underpass	18.77	18.77	16.89	-1.88	✓ Not used for commercial activity
Elevated Road	50.02	50.02	45.02	-5.00	✓ It's a new version of approach road from main road to TB, wrongly applied TBR. Secondly no commercial activity is done there.
Total cost (In Cr.)(A)	1466.35	1378.94	1287.93	-91.00	
Additional work proposed by AAI But not included by AERA while calculating cost of Proposed Terminal Building.					
Solar Enegrgy	15	15		-15.00	
Self Baggage Drop Systme	7	7		-7.00	
Deposit with Electricity Board	15	15		-15.00	
Total (B)	37	37		-37	
Total allowable cost (A+B)	1503.35	1415.94	1287.93	-128.00	

Aero cost for TB, Sub station & Elevated road (AAI vs AERA)			
Name of Work	Cost	COST-AERO (AAI)-93%	COST-AERO (AERA)-90%
C/o T. Building	1478.66	1375.16	1059.60
C/o Substation	34.75	32.32	
C/o Elevated Road	50.02	50.02	45.02
Total	1563.43	1457.50	1104.62

AREA considered for calculation of Normative cost			
Name of work	Area (in Sqm)		
	AAI	AERA	Difference
T.Building	77660	75220	*2440.00 (Basement Area)
Fixed wing of PBB	1640	1640	
substation	4485	4485	
Total Area	83785	81345	2440.00

* AERA has excluded the area of basement however cost has not been excluded, resulting in higher cost per sqm for normative cost.

Bifurcation of AERO Assets (Essential for PAX)

Name of Assets (Rs. In Cr.)	Total cost	Aero Cost-AAI	Aero (%) -AAI	Aero Cost(AERA)	Aero (%) -AERA	Difference
CTX Machine	91	91	100%	81.9	90%	-9.10
Sky Walk	9.54	9.54	100%	8.59	90%	-0.95
Underground water tank	6.9	6.9	100%	6.21	90%	-0.69
Road & Footpath	41.29	41.29	100%	37.16	90%	-4.13
Underpass	18.77	18.77	100%	16.89	90%	-1.88
Elevated Road	50.02	50.02	100%	45.02	90%	-5.00
Art Work(10	9.3	93%	9	90%	-0.60
PMC Charges	26.18	24.35	93%	23.56	90%	-1.58

- ❖ **CTX Machine:-** it is requirement of BCAS.
 - ❖ **Sky walk :-** it is a approach road from MLCP to Terminal Building which is a basic requirement of the passenger it should not be bifurcated on the basis of Terminal Building ratio.
 - ❖ **Underground water tank:-**similarly it is a basic requirement of passenger facilitation (water for drinking and cleaning of toilets).
 - ❖ **Road & Footpath:-** it is also basic requirement of the passenger and AAI does not used this roads and footpath for commercial activity.
 - ❖ **Underpass:-** it is not for passenger and concessionaire, it is for operating for BHS and Conveyor & other plant & Machinery.
 - ❖ **Elevated Road:-** it is a new version of road connecting main road to airport and AAI does not award this area concessionaire and airlines for any kind of commercial activities.
 - ❖ **ART work & PMC Charges:-** Terminal Building Ratio of 90% wrongly considered by AERA against 93% proposed by AAI excluding the airlines space considering the Aero.
- ❖ **AERA is requested to consider the AERO cost as mentioned in the above table for above mentioned assets.**

Impact of shifting of Capitalization of Terminal Building by AERA from FY 2027-28 to FY 2028-29

- ✓ AERA has shifted the capitalization of Terminal building to FY28-29 against AAI's proposal of capitalizing in FY27-28.

AERA		AAI				IMPACT
Return on RAB and depreciation considering AERA's view of capitalizing terminal building in FY28-29		Return on RAB and depreciation considering AAI proposal of capitalizing terminal building in FY27-28				(Rs. In Cr.)
Amount in crs	FY28-29 (A)		FY27-28	FY28-29	TOTAL(B)	DIFFERENCE(A-B)
FROR(%)	12.21	FROR(%)	12.21	12.21		
Normative cost-as per CP (T-36)-A	1287.94	Normative cost	1378.94			
Additional work proposed by AAI but not considered by AERA						
Solar Energy			15			
Self Baggage Drop System			7			
Deposit with Electricity Board			15			
Total (B)			37			
Total cost (A+B)	1287.94		1415.94			
Depreciation	21.44 (1287.94 X 3.33% X 50%)	Depreciation	23.58	47.15	70.73	
Return on RAB	78.63	Return on RAB	86.44	172.88	259.32	
TOTAL (Dep & Return on RAB)	100.07	TOTAL	110.02	220.03	330.05	229.98

- As per the communication received from APD Varanasi , 99.9 % of the Land Acquisition for the New Terminal is completed and Hon'ble P.M of India laid the foundation for the building on 20/10/2024 and the excavation work has been started and expected that terminal it will be completed in FY 2027-28.
- AERA is requested to consider the capitalization of terminal building in FY27-28 as there is an impact of approx. Rs 229.98 crs in ARR as computed in the above table.

Note: The above calculation is based on assumption depreciation has been considered only for half year in the year of addition.

Impact of shifting of Capitalization of RUN WAY/TAXIWAY by AERA from FY 2027-28 to Next control period:

- ✓ AERA has shifted some portion of runway extension project to the Third control period. However in this regard, 80% of the land has been acquired and balance 20% acquisition is on fast mode and will be completed in next 4-5 months.
- ✓ The work is likely to be awarded by April 2025 and the work will be completed by FY 2028-29 and hence AERA is requested to consider the PDC as FY28-29.

Impact of considering extension of runway fully in FY28-29		(Rs. In Cr.)
		FY28-29
FRR(%)		12.21
Part cost		282.55
Depreciation		9.41
Return on RAB		34.55
TOTAL		43.96

AERA is requested to consider the capitalization of extension of runway fully in FY28-29, There will be an impact of approx. Rs 43.96 crs in ARR as computed in the above table.

Note: The above calculation is based on assumption depreciation has been considered only for half year in the year of addition.

Computation of Fair Rate of Return (FRoR)-Varanasi airport

❖ AAI's view:-

- ✓ Since ,AERA has considered a notional gearing (Debt : Equity) ratio of 48:52 to determine the levered Equity beta considering an average 9% as the Cost of Debt for making capital gearing efficient by raising debt fund for the project proposed for the 2nd CP.
- ✓ Since, AERA has shifted a few project proposed for 2nd CP to the next CP and also shift the PDC of New Terminal Building from FY 2027-28 to FY 2028-29, the FRoR proposed by AERA may be applied in the year of the capitalization of terminal building as Notional Debt is proposed for the project of the Terminal Building which is proposed to be capitalized in FY 2028-29.
- ✓ It is also requested to AERA, 9% notional Interest on Debt may be considered/allowed as Interest during construction(IDC) for the 2nd Control period against the proposed capital investment in 2nd CP.
- ✓ AERA is requested to consider the above point for FRoR and it should be applied in the year of the capitalization of terminal building (FY2027-28) instead of through out the Control period (2nd CP).

Comparison of O&M Exp (AAI vs AERA)-2nd CP-Proposed-Varanasi Airport

(Rs. in Cr.)

Particular	AAI	AERA	Diff	Remarks
a) Total Payroll Expenditure	167.58	143.41	-24.17	✓ Allowed 6% YOY against 7%YOY (AAI) and also disallowed additional 20% in FY27-28 (pay revision.)
b) Repairs and maintenance	89.10	41.74	-47.36	✓ AERA has considered only Rs. 41.74 crs which is less than 50% of the repair and maintenance amount claimed by AAI. ✓ AERA has not considered 40% additional increase for R&M -Electrical and Electronics due to shifting of the capitalization of new Terminal Building to FY 2028-29. In this regard it is submitted that even though it's a new building , most of the contracts are manpower based contracts/AMC/CAMC and AERA is requested to consider 40% increase as proposed by AAI. ✓ AERA is requested to consider R&M as proposed by AAI, as it is required for upkeep of assets for maintaining world class facility.
c) Upkeep ,Utilities and outsourcing expenses		63.81		✓ Proposed 5% YOY growth against 10% YOY increase submitted by AAI

R&M Expense - Restricted to 6% by AERA

- ❖ To highlight the effect of restricting R&M to 6% of opening RAB, actual values of Ambulifts along with CMC costs has been shown below. Total value of asset is Rs. 62,97,841(Sample)

Year	Capitalisation	1st	2nd	3rd	4th	5th	6th	7th
Opening RAB	6297841	5510611	4723381	3936151	3148921	2361691	1574461	787231
Depreciation @ 12.5%	787230	787230	787230	787230	787230	787230	787230	787230
Net RAB	5510611	4723381	3936151	3148921	2361691	1574461	787231	1

Year	Year of cap	1st	2nd	3rd	4th	5th	6th	7th
AMC Cost	0	634192	728660	1080709	1216113	1361593	1473695	1583277
% of AMC on Net RAB		13%	19%	34%	51%	86%	187%	158327700%
6% of Net RAB		283403	236169	188935	141701	94468	47234	0
Net loss to AAI (Diff.)		-350789	-492491	-891774	-1074412	-1267125	-1426461	-1583277

R&M Expense: Supporting Documents(copy of Award Letter)

Sub: Supply of 20 Nos. Ambulifts with Comprehensive Annual Maintenance and Operation Contract at various Airports in India.

1. SUPPLY ITEMS

Asset Cost >>

S. No.	Description	Qty. (Nos.)	Unit Price (INR)	Total Amount (INR)
01.	Basic Cost of Ambulifts excluding GST as per technical specification of AAI and technical offer accepted by AAI.	20	₹ 62,97,841.10	₹ 12,59,56,822.00
02.	Transportation Charges excluding GST from the Factory to the Consignee Airports.	20	As per Para 1.1 below	₹ 7,92,181.29
03.	Transit Insurance Charges excluding GST from the Factory to the Consignee Airports.	20	As per Para 1.1 below	₹ 3,96,090.60
Total Supply Cost of 20 Nos. Ambulifts excluding GST				₹ 12,71,45,093.89
rounded to				₹ 12,71,45,094.00

2. COMPREHENSIVE ANNUAL MAINTENANCE CONTRACT (CAMC) & OPERATION COST PAYMENT:

CMC Cost >>

Item	CAMC & Operation Cost (in INR)
Comprehensive Annual Maintenance Contract (CAMC) and Operation Cost for each Ambulift from 1 st to 7 th year excluding GST in INR ₹ in terms with Section C-1 & C-2 of Tender Document.	(i) 1 st Year of Operation: ₹ 6,34,192.60
	(ii) 2 nd Year of Operation: ₹ 7,28,660.22
	(iii) 3 rd Year of Operation & CAMC: ₹ 10,80,709.53
	(iv) 4 th Year of Operation & CAMC: ₹ 12,16,113.12
	(v) 5 th Year of Operation & CAMC: ₹ 13,61,593.25
	(vi) 6 th Year of Operation & CAMC: ₹ 14,73,694.82
	(vii) 7 th Year of Operation & CAMC: ₹ 15,83,277.24
Total CAMC and Operation Cost excluding GST for 20 Nos. Ambulifts	Rs. 16,15,64,815.60 (i.e. 80,78,240.78 x 20 Nos.)



THANK YOU