DELHI INDIRA GANDHI INTERNATIONAL AIRPORT

Delhi International Airport Limited

(Formerly known as Delhi International Airport (P) Limited)

Registered Office:
New Udaan Bhawan, Opp. Terminal 3
Indira Gandhi International Airport
New Delhi – 110 037
CIN U63033DL2006PLC146936
T +91 11 4719 7000 F +91 11 4719 7181
W www.newdelhiairport.in
E - DIAL-CS@gmrgroup.in

Letter No. - DIAL/ 2024-25/Regulatory/3550

Date – 03rd March 2025

To,
The Director (P&S, Tariff),
Airport Economic Regulatory Authority of India (AERA),
Udaan Bhawan, 3rd Floor, D Block, Rajiv Gandhi Bhawan,
Safdarjung Airport,
New Delhi – 110003

Sub: Responses to Consultation Paper No. 07/2024-25 dated 31st January 2025 for the 4th Control Period of Indira Gandhi International Airport, Delhi (DEL)

Reference: Consultation Paper no 07/2024-25 dated January 31, 2025

We thank you for the release of consultation paper of IGI Airport for the fourth control period. The Authority had directed DIAL to submit the comments on the Consultation Paper No. 07/2024-25 before March 3, 2025.

The detailed responses on the Consultation Paper is attached herewith as Annexure A.

We request Authority to consider our response while finalizing the target revenue and rate card and pass tariff order by the end of this financial year so that new tariff can be implemented from April 01, 2025.

Thanking You,
For Delhi International Airport Limited

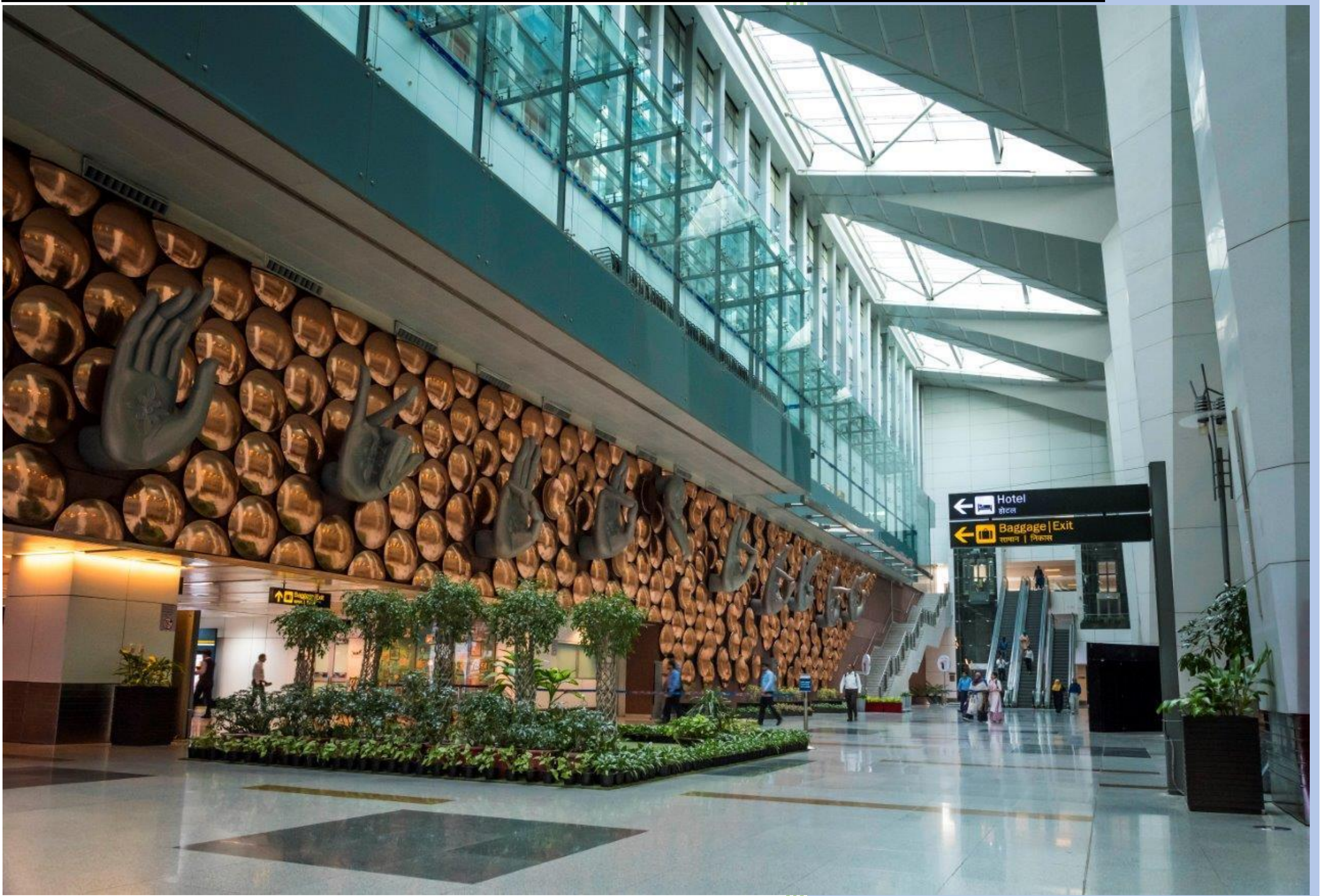
NARAYANA
RAO KADA

Digitally signed by NARAYANA RAO KADA
DN: c=IN, postalCode=400101, st=MAHARASHTRA, street=MUMBAI, l=MUMBAI, o=Personal, serialNumber=1d111a9b85fa931ac57bff9bb2f110c25db133b0d1c3ec8b68035fb5c131a3c1, pseudonym=6c45c1c6717a4483816a94bb360b7216, 2.5.4.20=a2e918eab37778f14cfd7522d392ec18978281dabf52a842eb187736754d3867, email=NARAYANARAO@GMRGROUP.IN, cn=NARAYANA RAO KADA
Date: 2025.03.03 17:57:09 +05'30'

K Narayana Rao
Director

Encl : Annexure A – Responses to Stakeholder Comments

Response to Consultation Paper No. 07/ 2024-25 dated January 31, 2025



Delhi International Airport Limited

Annexure A

March 03, 2025

Contents

1. Non – Implementation of Hon'ble TDSAT Judgements

1.1. DIAL's submission

Delhi International Airport Limited (DIAL) through its Multi Year Tariff Proposal (MYTP) filed with Airport Economic Regulatory Authority (AERA / Authority) has proposed for implementation of the Hon'ble TDSAT judgements listed as follows:

- ***Para 2.3**: TDSAT Judgement dated 21.07.2023 in reference to the appeal filed by DIAL against Order no 40/2015-16 and Order no 57/2020-21. List of the items referred as follows:*
    - True-up of over recovered revenue on account of levy of Base Airport Charges (BAC) shall not be made by the Authority.
    - Other Income shall not be considered as part of revenue from Revenue Share Assets.
    - Annual Fee should be reduced from revenue from Revenue Share Assets in determining "S" factor.
    - "S-factor" shall be considered as part of Aeronautical Revenue while calculating earnings pertaining to Aeronautical Services base for computation of taxes (i.e. T).
    - Revenue accruing from Existing Assets/Demised Premises shall not be considered as part of revenue from Revenue Share Assets.
    - Capex for Phase 3A expansion project of IGIA, proposed by the Appellant to be allowed as part of RAB.
    - Expenses towards Corporate Social Responsibility are required to be considered as part of aeronautical expenses.
- ***Para 2.4**: TDSAT Judgement dated 06.10.2023 in reference to the appeal filed by MIAL against Order no 13/2016-17 and Order no 64/2020-21*
    - Cost of Refundable Security Deposit shall be considered equivalent cost of equity.
- ***Para 2.5**: TDSAT Judgement dated 14.02.2024 in reference to the appeal filed by GHIAL against Order no 12/2021-22*
    - Interest income earned during the construction period on idle funds shall not be reduced from the Capex Costs.

1.2. Proposal of the Authority vide Consultation Paper

The Authority has considered for non-implementation of the Hon'ble TDSAT Judgements. Relevant Extracts as follows:

1.8.1 DIAL, on 29th May 2024, filed the Multi Year Tariff Proposal (MYTP) for the Fourth Control Period (FY 2025- FY 2029) after factoring the decisions of the Hon'ble TDSAT on various issues and of Hon'ble Supreme Court judgement on the issue of corporate tax pertaining to earnings from Aeronautical services. These decisions have an impact on the True up for the First, Second and Third Control Periods along with treatment of the Regulatory Building Blocks for the Fourth Control Period.

1.8.2 However, the Authority has challenged the decisions of the Hon'ble TDSAT by filing Civil Appeals in the Hon'ble Supreme Court under Section 31 of AERA Act, 2008. These Civil Appeals were opposed by

DIAL and MIAL on the ground that AERA, being a Tariff determining Authority, is a quasi-judicial body and therefore, it cannot file Appeal against the judgement of Hon'ble TDSAT which is an appellate Authority.

1.8.3 The Hon'ble Supreme Court vide its judgement dated 18th October 2024 has rejected the contentions of DIAL and MIAL and has held that the appeals filed by the Authority under Section 31 of the AERA Act, 2008, against the Hon'ble TDSAT orders are maintainable on the ground that AERA is a necessary party in the Appeals filed before the Hon'ble TDSAT and the Authority is the custodian of public interest and for protecting public interest it can file Civil Appeal under Section 31 of the AERA Act, 2008. The Hon'ble Supreme Court has now listed these Civil Appeals filed by the Authority for hearing on merit and are pending before Hon'ble Supreme Court for final settlement and thus are sub-judice.

1.8.4 The Authority has carefully examined the issue of implementation of above-mentioned orders of the Hon'ble TDSAT. The Authority has utmost regards for the directions of the Appellate Authority. However, the Authority has challenged these orders in Hon'ble Supreme Court under section 31 of AERA Act, 2008, and Hon'ble Supreme Court is presently hearing the matter. Thus, the issues raised in the Civil Appeal filed by the Authority are not finally settled and the Hon'ble Supreme Court is seized up of the matter. Therefore, the Authority notes that under such circumstances if it decides to implement the Hon'ble TDSAT order without finally settling the issues before the Hon'ble Supreme Court and increase in tariff is effected considering DIAL's submissions on the basis of Hon'ble TDSAT judgments for the Fourth Control Period, then it shall lead to a significant increase in Aeronautical tariff which will have to be borne by the Airport users as DIAL will start recovery of increased tariff from the Airport users. If at a later stage, the Civil Appeals filed by the Authority are upheld or decided in its favour, then it will not be possible to refund excess charges collected from the Airport users during this period on account of increase in tariff. Thus, there will be substantial over recovery by the Airport Operator and there is a possibility that if on account of over recovery future tariff gets reduced then again the Airport Operator may claim that over recovery can't be clawed back on account of levy of minimum charges i.e. BAC + 10%. Due to all these factors, DIAL would have unjust enrichment at the cost of Airport users. All these factors clearly establish that considering DIAL submissions of giving effects to Hon'ble TDSAT judgements without finally settling the issues before Hon'ble Supreme Court, is not in public interest, more so when the Hon'ble Supreme Court is seized up of all these issues and is hearing these Civil Appeals. On the contrary, public interest would be better served if Authority takes decisions on the basis of final decision of Hon'ble Supreme Court of India on these issues.

1.8.5 Considering the above and in public interest, the Authority proposes to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period. The final decision with regard to the issues raised by the Authority in the Civil Appeal will be taken once the matter attains finality in the proceedings before the Hon'ble Supreme Court.

1.3. DIAL's Response

The Authority has challenged the Hon'ble TDSAT Judgement in Supreme Court and in the absence of stay order, based on earlier Supreme Court Judgements and legal positions authority should have implemented the referred TDSAT Judgement. However, the authority has taken a view to await for the outcome of Supreme Court Judgement.

In this regard, it is imperative to note that as per Order 41 Rule 5 of the CPC, 1908 unless the appeal is listed and there is an interim order and mere pendency of the appeal before the Supreme Court will not amount the stay on the operation of the order passed by the Court/Tribunal below.

Following Supreme Court Judgements support the implementation of TDSAT Judgement in the absence of stay order by the Honourable Supreme Court :

I. The statutory authorities are bound to carry out their statutory functions and comply with the orders of the Superior Courts in letter and spirit. Otherwise, the contempt proceedings may be initiated against them by the Superior authority/Appellate Tribunal. **[Refer Bhopal Sugar Industries Vs. Income Tax Officer, Bhopal AIR 1961 SC 182 Para 7-12; RBF Rig Corporation, Mumbai Vs. Commissioner of Customs (Imports), Mumbai (2011) 3 SCC 573 Paras 17-19, 23 to 27]**

II. Principle of judicial discipline require that the orders of the higher appellate authorities should be followed unreservedly by the subordinate authorities. The mere fact that the order of the Appellate authority is the subject matter of an appeal cannot furnish any ground for not following it unless its operation has been suspended by a competent court. **[Refer Union of India Vs. Kamlakshi Finance Corporation Limited (1992) Supp (1) SCC 443 Para 6; Kashi Vishwanath Steels Ltd. Vs. Uttaranchal Electricity Regulatory Commission and Ors. Appeal No. 169 of 2006 Para 4]**

III. The Regulatory Authorities are bound by this principle of judicial discipline. The orders passed by the Regulatory Authorities are appealable to the concerned Appellate Tribunal under the statute and any order passed in such appeal by the Appellate Tribunal is required to be carried out by the Regulatory Authority unless and until the order of the Appellate Tribunal is stayed, set-aside or modified by the Apex Court to which the second Appeal lies under the scheme of such statute. **[Refer Judgment dated 23.09.2013 passed by APTEL in Appeal No. 52 of 2012-Para 121-124]**

IV. Mere pendency of appeal before the Supreme Court against the order does not absolve the party not to comply the order. Provisions of appeal even if availed without any stay, will expose the party to contempt proceedings, for non-compliance. **[Refer Dr. Sajad Majid Vs. Dr. Syed Zahoor Ahmed and Anr.; 1989 Cri LJ 2065 Para 8]**

V. As per the Supreme Court Judgement in the case of 414 of 2007 delivered on 05-10-2023 in respect of Odisha Electricity Regulatory Commission(OERC) and APTEL, following are the important observations at Page 22 at para 26 and at page 47 – para 76):

The Commission is bound by the orders of the Appellate Tribunal. (page 22- para 26)

It is the duty of the Commission to implement the orders of the Appellate Tribunal as an Appellate Authority (page 47, para 76).

In view of the above legal position, while the Authority was duty bound to implement the TDSAT Judgement, we request Authority to be kind enough to implement the Judgement as soon as Hon'ble Supreme Court disposes off the pending appeal by conduct of mid term review of the tariff's of DIAL and not keep it pending until the commencement of tariff determination process for fifth control period (2029-34).

2. True-up for the First Control Period (April 01, 2009 to March 31, 2014)

2.1. Proposal of the Authority vide Consultation Paper

The Authority has proposed the implementation of Hon'ble Supreme Court Judgement dated 23.04.2018. However, the Authority has proposed for non-implementation of the other items citing the following reasons:

2.1.3 In view of the Authority's analysis provided in para 1.8.2 to 1.8.5 of this Consultation Paper, with regard to the issues raised by the Authority in the Civil Appeal against the judgements of the Hon'ble TDSAT, the Authority is of the view that presently it needs to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period as the matter is sub-judice before the Hon'ble Supreme Court.

Cost of Refundable Security Deposits and Weighted Average Cost of Capital:

2.2.7 As mentioned in para 2.1.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control Period i.e. consider cost of RSD at the cost of debt of 10%.

Revenue from Revenue Share Assets:

2.3.10 As mentioned in para 2.1.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control Period.

Aeronautical Taxes:

2.4.5 As mentioned in para 2.1.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control period with regards to treatment of S Factor for computation of Aeronautical Taxes.

2.2. DIAL's Response

The DIAL has presented its detailed submissions on conduct of the mid-term review with regard to these items based on the para no. 1.3 referred above.

3. True-up for the Second Control Period (April 01, 2014 to March 31, 2019)

3.1. Proposal of the Authority vide Consultation Paper

The Authority has proposed the implementation of Hon'ble Supreme Court Judgement dated 23.04.2018. However, the Authority has proposed for non-implementation of the other items citing the following reasons:

3.1.3 In view of the Authority's analysis provided in para 1.8.2 to 1.8.5 of this Consultation Paper, with regard to the issues raised by the Authority in the Civil Appeal against the judgements of the Hon'ble TDSAT, the Authority is of the view that presently it needs to continue the tariff determination exercise consistent with the decisions taken in the Tariff Order for the Third Control Period as the matter is sub-judice before the Hon'ble Supreme Court.

Cost of Refundable Security Deposits and Weighted Average Cost of Capital:

3.2.6 As mentioned in para 3.1.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control Period i.e. consider cost of RSD at the cost of debt of 9.28%.

Corporate Social Responsibility as part of the O&M Costs

3.3.3 The Authority at the time of tariff determination for the Third Control Period vide decision No. 3.11.9 of the Tariff Order for the Third Control Period had decided not to include CSR as part of Aeronautical Operation and Maintenance expenses.

3.3.5 As mentioned in para 3.1.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control Period.

Revenue from Revenue Share Assets:

3.4.7 As mentioned in para 3.1.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control Period.

Aeronautical Taxes:

3.5.6 As mentioned in para 3.1.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control period with regards to treatment of S Factor for computation of Aeronautical Taxes.

3.2. DIAL's Response

The DIAL has presented its detailed submissions on conduct of the mid-term review with regard to these items based on the para no. 1.3 referred above.

4. True-up for the Third Control Period (April 01, 2019 to March 31, 2024)

DIAL has provided a detailed response with regard to the non-implementation of the Hon'ble TDSAT Judgements in Para 1.3 above. Thus, certain sections are not being repeated for the sake of simplicity.

4.1. Regulatory Asset Base ('RB')

(i) Project Capex- Disallowance of the Interest During Construction

Proposal of the Authority:

Relevant Extracts for disallowance of interest during construction are as follows:

Interest Income earned during the construction on idle funds reduced from IDC :

4.4.122 The Authority noted that since the debt instruments are in the form of bonds/ debentures, DIAL had drawn down some of the facility upfront before the necessary expenses were proposed to be settled. This had resulted in additional interest on the amount drawn which could not be considered as an Efficient Interest Cost. The IDC component submitted by DIAL is Rs. 2,122 Cr. The interest income earned by DIAL (on surplus debt drawn but unutilized) amounting to Rs. 399 Cr has not been adjusted by DIAL to arrive at the net IDC based on the Hon'ble TDSAT judgement dated 14th February 2024 in the case of GHIAL.

4.4.123 As mentioned in para 4.2.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control period and proposes that only the efficient cost of interest can be allowed for arriving at RAB.

Notional amount of Interest During Construction:

4.4.124 In order to compute the efficient interest cost, the Authority proposes to notionally reassess IDC based on the actual payment schedule submitted by DIAL with respect to Phase 3A Expansion Capex.

i. The Authority noted that notional assessment of IDC is also required considering that DIAL has actually utilized debt of only Rs. 6,781 Cr as on 31st March 2024 as against proposed debt of Rs. 7,850 Cr. However, DIAL has almost capitalized entire cost of Phase 3A Expansion except assets to the extent of Rs. 201.23 Cr under Package 1 of EPC contract (pertaining to Airport village) (i.e. Rs. 62.21 Cr recognized as CWIP as on 31st March 2024 while works to the extent of Rs. 139.02 Cr was yet to be executed as on 31st March 2024). The Airport village (under package 1 of EPC contract) is a landside facility that provides interconnectivity between the terminal building and the landside transportation network. It is designed to help passengers and visitors make sense of orientation, enhancing their experience of the Airport in terms of improved comfort, security and convenience.

ii. As mentioned earlier, though DIAL capitalized ~98.33% of the capex pertaining to Phase 3A as on 31st March 2024, it has utilized only 86.38% of the proposed debt as on 31st March 2024 leaving debt of Rs. 1,069 Cr unutilized as on 31st March 2024.

iii. For the purpose of notional assessment of IDC, it is considered that hard cost of the capex would be funded at a debt/equity ratio proportionate to the D:E ratio of the overall capex excluding IDC while the entire IDC is assumed to be funded out of debt.

iv. The Authority also submits that IDC is computed at the Efficient Cost of Debt proposed to be considered by the Authority for the Third Control Period i.e. 10.37% on the average debt arrived at every year based on notional assessment.

4.4.125 The assessment of IDC for Phase 3A Expansion Capex proposed to be considered by the Authority is as follows:

Table 58: IDC proposed to be considered by the Authority for the Third Control Period

FY Ending March 31, (Rs. Cr)	2019	2020	2021	2022	2023	2024	Total
Amount Paid by DIAL towards Capex for Phase 3A as submitted by DIAL (A)	938	1,867	2,272	1,716	2,237	2,062	**11,092**
IDC Paid by DIAL as submitted by DIAL (B)	-	117	301	454	473	378	**1,722**
Hard Costs Paid by DIAL (C=A-B)	**938**	**1,750**	**1,971**	**1,262**	**1,764**	**1,684**	**9,370**
Phase 3A Expansion Capitalization as submitted by DIAL (D)		8	7	822	845	10,183	**11,864**
IDC Capitalized as submitted by DIAL (E)		-	-	108	107	1,508	**1,722**
Hard Cost Capitalization (F=D-E)		**8**	**7**	**714**	**738**	**8,676**	**10,142**
Hard Cost Capitalization excluding EPC Claims* (G)		**8**	**7**	**714**	**738**	**8,055**	**9,521**
Hard Costs Capitalization excluding EPC Claims % (H)		0.1%	0.1%	7.5%	7.8%	84.6%	
Opening Debt (I)	-	568	1,686	3,060	3,623	4,534	
Addition [J=(C*57.5%)+N]	568	1,122	1,379	1,072	1,437	1,203	**6,781**
Capitalized Debt (K=H*6,781)	-	5	5	509	526	5,737	**6,781**
Closing Debt (L=I+J-K)	568	1,686	3,060	3,623	4,534	-	
Average Debt (M=Average of I,L)	284	1,127	2,373	3,341	4,078	2,267	
IDC proposed to be considered by the Authority for Phase 3A Expansion Capex (N=M*10.37%)	**29**	**117**	**246**	**346**	**423**	**235**	**1,396.77**

**Capitalization schedule is drawn after excluding Claims of Rs. 621 Cr from EPC Contractor as the same has not been paid to the EPC Contractor by March 31, 2024.*

Note: Total debt utilized by DIAL as on March 31, 2024 was Rs. 6,781 Cr. Addition of debt (J) is considered based on a proportionate Debt drawl corresponding to the actual debt utilized.

4.4.127 The Authority vide its decision no 4.6.7 in the Tariff Order for the Third Control Period decided to consider a provision for adjustment towards RAB to the extent of 1% of the Phase 3A Project Cost at the time of tariff determination for the Fourth Control Period if the proposed Phase 3A Project has not been completed and made available for the passengers before 31st March 2024. The Authority therefore decided to consider IDC incurred by the airport operator only till 31st March 2024 with additional IDC beyond 31st March 2024 considered only based on justification for the delay in completion of the Project beyond 31st March 2024.

DIAL's Response:

Interest Income earned during the construction on idle funds reduced from IDC:

The Hon'ble TDSAT in the matter of Order No. 12/2021-2022 (3rd Control Period order of GMR Hyderabad International Airport Limited) has adjudicated that the Authority should not consider the interest income earned during the construction period on surplus funds available with the Airport Operator, since it is not earned from aeronautical services and consideration of interest income is beyond the regulatory ambit of Authority because it does not accrue from any services rendered by the Airport Operator. Further, the Hon'ble TDSAT has also opined that the funding for projects shall be secured in advance instead of a piecemeal manner and arrangement fees/charges for these funding should be allowed as costs.

Hence, we request the Authority that the income on idle funds shall not be considered while considering the approval of IDC for the stated period.

Notional amount of Interest During Construction (IDC):

The Authority in the past control periods of DIAL has approved the interest during construction at actual cost incurred by it (refer the first control period order). The only disallowance carried out by the Authority were pertaining to disallowance of hard costs resulting from the independent examination by M/s EIL and treatment of the capex as opex based on the identifications of the independent financial consultant.

The Authority has calculated the IDC on notional basis for the first time following inconsistent approaches and this calculation is neither envisaged in SSA. Thus, the Authority should consider the IDC incurred by DIAL at the actual.

Further, the DIAL has made detailed submissions on the prudence approach followed by it considering the pandemic situation across the world vide its clarifications dated September 26, 2024. The Authority has not provided any reasoning for not considering the submissions of DIAL in this regard.

Bereft of the above submissions, the Hon'ble TDSAT in the matter of MIAL 3rd Control Period adjudicated as follows:

> *320. In view of this, actual cost of debt shall be allowed by AERA for 3rd Control Period especially looking to the provisions of Section 13(1)(a)(i) of the AERA Act, 2008……*
>
> *321. In view of the aforesaid provision, AERA ought to have allowed actual cost of debt incurred by the appellant especially looking to the fact that debt availed by this appellant is from reputed lenders. Putting a cap upon cost of debt is uncalled for, as AERA has in fact, allowed actual interest rate for First Control Period and Second Control Period and therefore the same methodology should be applied for Third Control Period as well. We therefore direct AERA to consider actual cost of debt and necessary true up shall be done accordingly.*
>
> *Further, this action of AERA is also in violation of provisions of AERA Act, 2008 especially Sec. 13 thereof because the expenditure incurred ought to be allowed to be recovered as per formula of Target Revenue given in SSA.*

Also, the Hon'ble TDSAT in the matter of GHIAL 3rd Control Period adjudicated as follows:

> *498. In view of the aforesaid formula, lower FRoR is highly appreciable because it is to be multiplied by RAB for the calculation of ARR and, therefore, IDC should be calculated on the total project funding. AERA has to calculate IDC taking into consideration the costs of the entire debt facility. This aspect of the matter has not been properly appreciated by AERA while passing the impugned order dated 31.08.2021 mainly for the reason that project funding cannot be procured intermittently or in a piecemeal manner. On the contrary, it should be procured well in advance for the planned expenditure.*

Thus, we request the Authority to consider the actual cost of debt and hence the IDC incurred by the DIAL towards project instead of the notional basis as proposed in the Consultation Paper.

(ii) Project Capex- Postponement of GST on EPC Claims

Proposal of the Authority:

The Authority has proposed to consider the GST payable on EPC Claims amounting to INR 94.60 Crores on notional basis and will be considered as part of the true-up exercise in the fifth control period. Relevant extract as follows:

4.4.119 The Authority hence proposes to consider an amount of Rs. 525.60 Cr towards various claims from the EPC Contractor without considering the impact of GST. The Authority proposes not to consider the impact of GST at present and would true up the GST at actuals (net of Input Tax Credit, if any claimed by DIAL in future) at the time of tariff determination for the Fifth Control Period.

DIAL's Response:

The GST is mandatory outflow to be made by DIAL in accordance with the CGST Act, 2017. As explained in our submissions, the EPC claim is predominantly towards the Civil Costs and thus input credit will not be eligible for DIAL on these items. In light of the above, it is requested to the Authority, that the GST on the EPC claims amounting to INR 95.4 crores is duly allowed to the extent of civil portion of the contract.

Thus, we request the Authority to allow at least GST on civil portions as part of EPC claims in the 4th Control Period subject to actual verification in the 5th Control Period order.

4.2. Operation and Maintenance ('OM')

(i) CSR and Donation disallowance for CP3

Proposal from Authority:

The Authority has proposed to not consider the donation and bad debts as part of the regulator building block O&M. Relevant extract are as follows:

4.6.100 As mentioned in para 4.2.3 of this Consultation Paper, the Authority proposes not to consider CSR expenses as part of Aeronautical O&M expenses for the Third Control Period.

4.6.101 Further, the Authority consistent with the decision taken in the past proposes not to consider Donations and Provisions for Bad Debts as part of Aeronautical O&M expenses for the Third Control Period.

DIAL's response:

Corporate Social Responsibility:

The expenditure pertaining to the Corporate Social Responsibility is allowed by the Authority to the Bangalore International Airport Limited for the third control period. Below is the extract of the same:

3.7.39 Based on the above, the aeronautical operating expenditure decided by the Authority for the true-up of Second Control Period is given below:

Table 40: Aeronautical operating expenditure decided by the Authority for true-up of Second Control Period

Operating expenses adjustments	FY 2017	FY 2018	FY 2019	FY 2020	FY2021	Total
Personnel expenses	107.37	110.43	137.41	174.29	157.35	686.84
O&M	83.03	98.97	96.93	117.09	123.78	519.80
Lease Rent	13.01	13.42	13.83	14.24	18.72	73.22
Utilities	36.45	41.92	34.86	34.22	25.20	172.66
Insurance	1.57	2.22	1.94	3.25	5.66	14.64
Rates & taxes (other than IT)	7.48	5.62	8.02	7.63	7.17	35.91
Marketing & Advertising	7.90	9.02	14.91	19.62	6.27	57.73
CSR	2.14	4.23	6.99	6.85	5.10	25.30
General admin costs	23.40	27.34	17.28	19.90	13.32	101.24
Total operating expenses - Aero	**282.35**	**313.15**	**332.18**	**397.08**	**362.57**	**1687.33**
Concession fee	39.67	44.65	38.14	32.88	13.99	169.32
Waiver and bad debts	0.00	0.00	0.00	0.00	0.00	0.00
Total operating expenditure - Aero	**322.02**	**357.80**	**370.32**	**429.96**	**376.56**	**1856.66**

Similarly in the case of GMR Hyderabad International Airport, the Authority has allowed the CSR expenditure for the RGI Airport as well. Extract as follows:

S.No.	Details of Expense	Observation	Amount of Adjustment
5	Community Development	***Segregation by HIAL:*** Aeronautical portion of CSR expenses as per aeronautical P&Ls ***Observation:*** On the examining the details submitted by HIAL, it is observed that the CSR expense was categorized under community development expenses which also included donations made by HIAL. Keeping in view the direction of TDSAT's judgment dated December 16, 2020 in the matter of Bangalore International Airport Limited vs Airports Economic Regulatory Authority, the CSR liability calculated based on aeronautical P&L can be allowed as pass through for the purpose of O&M expense. For the purpose of this study, the CSR eligibility was calculated as per the provision of Company's Act, 2013 and aeronautical P&L	Rs. 37.61 Crores

However, in the case of DIAL, the Authority has completely taken a different stand in allowing the CSR expenditure despite having set a differential precedence in the other airports.

DIAL requests the Authority to be consistent in its approach and therefore consider the CSR expenditure as requested by the DIAL. The Hon'ble TDSAT has further reiterated in its Judgement for DIAL 3rd Control Period that the decision of the TDSAT in the matter of CSR vide appeal no. 08/2018 are binding on the Authority (Para 168).

It is the primary function of the Authority to implement the decisions consistently across all the airport unless the concession provided by the Government of India specifies otherwise. Thus, we humbly request the Authority to consider the CSR expenditure as part of the regulatory building blocks.

Donations: Charity and donation is cause of social responsibility. The charity and donation has been undertaken by an entity in the interest of the society dependent on it. Hence, these expense should be allowed at least as common. Disallowance of these expenses will discourage the organization to undertake social works.

(ii) Disallowance of the lease equipment charges

Proposal from Authority:

The Authority has disallowed the interest during construction period on the loan pertaining to the equipment forming part of Phase 3A and further moderated the lease payment costs. Relevant extracts are as follows:

4.6.163 The Authority examined the terms of lease and found that the effective interest rate on the lease financing works out to 12.65% p.a. (lease payment of Rs. 7.20 Cr for 84 months on cost of Rs. 400 Cr) which is higher compared to the effective cost of debt of 10.55% claimed by DIAL for Third Control Period. Further, the Authority noted that DIAL has not considered interest income on the security deposits which needs to be netted off against the lease payments.

4.6.164 Accordingly, the Authority proposes to consider lease payments at the Efficient Cost of Debt proposed to be considered by the Authority for the Third Control Period i.e. 10.37% p.a. The lease payment *per month at an interest rate of 10.37% p.a. works out to Rs. 6.72 Cr and interest income on security deposits works out to Rs. 7 Cr.*

Table 152: Lease payment schedule proposed to be considered by the Authority for the Third Control Period

FY ending March 31 (Rs. Cr)	2020	2021	2022	2023	2024	Total
No. of Months					*2*	
Lease Payments @ Rs. 6.72 crore					13.43	13.43
Less: Interest Income					1.17	1.17
Net Lease Payments	-	-	-	-	**12.27**	**12.27**

DIAL's response:

Lease Equipment payments:

In an ideal scenario, where the investment in an asset is made by DIAL instead of a lease, it would be eligible at least a return of 12.99% as return on the Regulatory Base (RB) and entire investment is ploughed back as a depreciation. DIAL in order to incentivise the passengers and reduce the costs, has innovatively entered into the lease equipment transaction and reduce the total return to 12.65% (without including interest income).

Further, the total NPV with WACC of 12.99% after considering the RB * WACC on INR 400 Crores of investment, Depreciation is INR 424 Crores, detailed calculation is as follows:

(INR in Crores)

Year Ended	Opening RB	Depreciation	Closing RB	Closing RB * WACC	Total Return	PV factor	PV as on March 31, 2024
31-Mar-24	437.29	8.96	428.33	13.91	22.87	1.00	22.87
31-Mar-25	428.33	35.98	392.35	50.97	86.94	0.89	76.95
31-Mar-26	392.35	35.98	356.38	46.29	82.27	0.78	64.44
31-Mar-27	356.38	35.98	320.40	41.62	77.60	0.69	53.79
31-Mar-28	320.40	35.98	284.42	36.95	72.92	0.61	44.74
31-Mar-29	284.42	35.98	248.45	32.27	68.25	0.54	37.06
31-Mar-30	248.45	35.98	212.47	27.60	63.58	0.48	30.55
31-Mar-31	212.47	35.98	176.49	22.93	58.90	0.43	25.05
31-Mar-32	176.49	35.98	140.52	18.25	54.23	0.38	20.41
31-Mar-33	140.52	35.98	104.54	13.58	49.56	0.33	16.51
31-Mar-34	104.54	30.88	73.67	9.57	40.45	0.29	11.93
31-Mar-35	73.67	15.51	58.16	7.55	23.06	0.26	6.02
31-Mar-36	58.16	15.51	42.65	5.54	21.05	0.23	4.86
31-Mar-37	42.65	15.51	27.15	3.53	19.03	0.20	3.89
31-Mar-38	27.15	15.51	11.64	1.51	17.02	0.18	3.08
31-Mar-39	11.64	11.64	0.00	0.00	11.64	0.16	1.86
Total		**437.29**		**332.07**	**769.36**		**424.02**

The return requested by the DIAL after considering the interest income on security deposits is as follows:

(INR in Crores)

Year Ended	Lease Payments	Interest Income	Total Return	PV factor	PV as on March 31, 2024
31-Mar-24	14.47	(1.17)	13.30	1.00	13.30
31-Mar-25	86.40	(7.00)	79.40	0.89	70.27
31-Mar-26	86.40	(7.00)	79.40	0.78	62.19
31-Mar-27	86.40	(7.00)	79.40	0.69	55.04
31-Mar-28	86.40	(7.00)	79.40	0.61	48.71
31-Mar-29	86.40	(7.00)	79.40	0.54	43.11
31-Mar-30	86.40	(7.00)	79.40	0.48	38.16
31-Mar-31	71.93	(3.50)	68.43	0.43	29.10
Total	**604.80**	**(46.67)**	**558.14**		**359.90**

The table itself would reflect the total savings to the passengers in terms of the amount i.e., required to be paid by the passengers over the tenure of the equipment.

However, the Authority instead of the appreciating the above savings, has further penalised the Airport Operator by reducing the lease expenditure on notional basis. The NPV after considering the Authority methodology is as follows:

(INR in Crores)

Year Ended	Lease Payments	Interest Income	Disallowance by AERA	Total Return	PV factor	PV as on March 31, 2024
31-Mar-24	14.47	(1.17)	(1.04)	12.26	1.00	12.26
31-Mar-25	86.40	(7.00)	(5.76)	73.64	0.89	65.17
31-Mar-26	86.40	(7.00)	(5.76)	73.64	0.78	57.68
31-Mar-27	86.40	(7.00)	(5.76)	73.64	0.69	51.05
31-Mar-28	86.40	(7.00)	(5.76)	73.64	0.61	45.18
31-Mar-29	86.40	(7.00)	(5.76)	73.64	0.54	39.99
31-Mar-30	86.40	(7.00)	(5.76)	73.64	0.48	35.39
31-Mar-31	71.93	(3.50)	(3.50)	64.93	0.43	27.62
Total	**604.80**	**(46.67)**	**(39.11)**	**519.02**		**334.34**

The treatment followed by the Authority resulted into NPV of INR 334 Crores, which is actually a penalty in nature instead of incentivising the airports for innovative thoughts of reducing the passenger and airline charges.

In view of the above, it is apparent that the stated arrangement is efficient and not burden on tariff, hence, the actual lease payments should be considered by the Authority.

4.3. Weighted Average Cost of Capital ('WACC')

(i) Cost of Debt

Proposal from Authority:

The Authority has not considered the actual cost of debt submitted by DIAL vide its MYTP. The Authority has proposed to cap the cost of debt in accordance with its Order 57/2020-21. Relevant extracts are as follows:

4.5.12 The Authority in the Tariff Order for the Third Control Period allowed Cost of Debt as 9.87%. The Authority had also allowed true up based on actuals at the time of tariff determination for the Fourth Control Period subject to a ceiling of additional 50 bps. Given the fact that the Cost of Debt based on actuals as submitted by DIAL is 10.55%, the Authority proposes to restrict the Efficient Cost of Debt to 10.37% arrived at by adding 50 bps to the cost of debt of 9.87% allowed by the Authority in the Tariff Order for the Third Control Period as it was well known to DIAL that the maximum debt rate likely to be allowed by the Authority shall be capped at 9.87% p.a. subject to a ceiling of an additional 50 bps.

DIAL's Response:

DIAL has submitted the detailed calculation of the cost of debt as verified by the Statutory Auditor of the Company along with its MYTP Submission. In addition, the DIAL has submitted the Authority a detailed note on the cost of debt during the control period and the reasons for higher cost of debt during the pandemic. Authority has not evaluated the submissions of the DIAL and no justifications were provided by the Authority on these items. Some of the major items of our submissions are as follows:

- DIAL was not having sufficient cash for operations due to COVID-19 and certain cash meant for Project was required to be utilised for operations and also forced to pay the Monthly Annual Fee to AAI until December 2020.Both international and domestic credit rating agencies downgraded the credit rating of DIAL mentioning the Project Execution risk, Liquidity risk and refinancing risk. DIAL USD 288.75mn bonds were due for payment in Feb'2022, which was considered as the refinancing risk by rating agencies.

- Due to peak COVID period and complete closure of air traffic globally, it was decided to conserve the cash accrued internally for the purpose of operations, upkeep of airport equipment and payment of salary to the staff. This resulted non availability of internal accruals during covid pandemic period hence management decided to raise the funds through debt for Phase3A project so as keep the Phase 3A project running.

- Post advent of covid period, DIAL credit rating was downgraded by domestic rating agencies making it difficult for DIAL to raise funds in the domestic market. In view of the above, the means of finance required for the project got revised. DIAL decided to go for international market and raise funds to refinance the USD 288.75mn debt to eliminate the refinancing risk and also to raise some portion of debt for Phase 3A project to eliminate project execution risk. Accordingly, in March 2021, DIAL raised USD 450mn (equivalent INR 3257 crores) by issuance of NCDs to Foreign Portfolio Investor (FPI) at interest cost of 10.964% p.a. plus withholding tax to refinance the existing debt of USD 288.75mn and balance for Phase 3A project.

This debt has though resulted in the higher interest costs, which was not at all under the controllable acts of DIAL, however ensured the completion of Phase 3A project. This helped to mitigate the risks initially perceived by credit rating agencies and. DIAL, infact has secured the lower rate of interest subsequently on all the borrowings, and thus improving financial performance and market conditions which can be evident below.

Name of the borrowing	INR in Crores	Interest Rate	Hedge	Date of drawdown
NCD INR 3,257 Crores	3,257[1]	10.964%	Not Applicable	31.03.2021
NCD INR 744 Crores	744	9.75%	Not Applicable	23.08.2023
NCD INR 1,000 Crores	1,000	9.52% (first 3 years) 9.98%	Not Applicable	22.06.2022
NCD INR 1,200 Crores	1,200	9.75%	Not Applicable	13.04.2023
NCD INR 800 Crores	800	9.75%	Not Applicable	22.03.2024

Thus, DIAL requests the Authority to consider the actual cost of submitted by DIAL as part of its MYTP submission.

4.4. Revenue from Revenue Share Assets ('S')

<u>Proposal from Authority:</u>

The Authority has not considered

4.7.13 The Authority noted DIAL's submission pertaining to true-up of Revenue from Revenue Share Assets for the Third Control Period wherein DIAL has requested exclusion of Revenue from Existing Assets, Other Income, Exclusion of Annual Fee payable to AAI which are based on the Hon'ble TDSAT order dated 21st July 2023 for the Second Control Period and Third Control Period in the case of DIAL.

4.7.14 As mentioned in para 4.2.3 of this Consultation Paper, the Authority proposes to retain the decisions taken at the time of tariff determination for the Third Control Period.

4.7.15 The Authority consistent with the decision taken in the Tariff Order for the Third Control Period proposes not to exclude revenue from Existing Assets and also to not consider deduction towards the Annual Fee payable to AAI from the revenue from Revenue Share Assets for the Third Control Period.

4.7.16 In the case of Other Income, the Authority proposes to implement the decisions taken at the time of tariff determination for the Third Control Period wherein entire Other Income (excluding Other Income attributable to Aeronautical services) shall be considered as part of Revenue from Revenue Share Assets at the time of True Up for the Third Control Period. The Authority noted that the Other Income as submitted by DIAL majorly includes Dividend Income, Interest Income and Investment Income.

4.7.17 The Authority noted that under Dividend Income, an amount of Rs. 12.77 Cr during the Third Control Period has been earned from Fuel Farm Subsidiary and hence proposes to reclassify the same as Aeronautical Revenues as part of True Up for Third Control Period, as Fuel Farm Operations has been classified as Aeronautical Services as per Schedule 5 of the OMDA.

[1] This loan is partly refinanced through NCD 744 Crores and the current outstanding balance against this loan is INR 2,513 Crores.

Table 168: Other Income Proposed to be considered by Authority as part of Revenue Share Assets towards True Up for the Third Control Period

FY ending March 31 (Rs Cr)	2020	2021	2022	2023	2024	Total
Other Income as per Actuals (A)	327.43	100.08	144.99	297.40	281.47	**1,151.38**
Dividend Income from Fuel Farm Subsidiary (B)	3.41	2.77	-	1.81	4.78	**12.77**
Other Income Proposed to be Considered by the Authority towards True Up for the Third Control Period (C= A-B)	**324.02**	**97.31**	**144.99**	**295.59**	**276.69**	**1,138.61**

DIAL's Response:

As regards to revenue from Revenue Share Assets Hon'ble TDSAT has adjudicated following items with regard to the calculation of the revenue from Revenue Share Assets:

- Other Income shall not be considered as part of revenue from Revenue Share Assets
- Annual Fee should be reduced in calculation of from revenue from Revenue Share Assets in determining "S" factor
- Revenue accruing from Existing Assets/Demised Premises shall not be considered as part of revenue from Revenue Share Assets.

Without prejudice to the above, the Hon'ble TDSAT has also adjudicated that the Authority shall follow the consistency mechanism on treatment of the items across building blocks. Relevant extract is as follows:

> *93. In fact, AERA has to maintain consistency in their approach. During First Control Period "other income" of the appellant was not treated as part of revenue, from "Revenue Share Assets" and no reasons have been given by AERA for departure from the principles adopted in First Control Period and thus, there is a violation of Section 13(4) of AERA Act, 2008. Unjustifiably inconsistent interpretations of the rules of the game are more problematic, in so far as they create severe uncertainty and unpredictability in the making of investments and for national regulatory choice. AERA cannot take different view in different Control Periods. Certainty of regulatory philosophy is a key to create a predictable environment for clarity to all the stakeholders. If different approaches are adopted for different Control Periods, it will lead to uncertainty which will ultimately lead to unwarranted increase in the litigation. As a result, it will be the end consumer who would be at sufferance. We are of the opinion that such unnecessary and unwarranted litigation needs to be curbed which can only happen when the regulator (AERA) strictly maintains consistency in its approach.*
>
> *94. In the 2nd Control Period, "other income" has been treated as a part of revenue from revenue share assets, but, "dividend income" was not included. Now, in 3rd Control Period, even "dividend income" has also been treated as a part of revenue from Revenue Share Assets. Thus, in both the aforesaid Control Periods, there is inconsistency, in the approach of AERA.*

Authority's inconsistency in the consideration of the Other Income across the building blocks:

The Authority in the First Control Period of DIAL had not considered the revenues realised by DIAL on account of Interest Income, income from sale of investment, income from delayed payment, etc. as non-aeronautical revenue. Authority's stand for the first control period was clearly stated in the Order no. 40/2015-16 for the second control period, the relevant extract from para 6.43 is reproduced below

> *The Authority, during the determination of tariff for the first Control Period, had not considered the revenues realised by DIAL from "Other Income" (typically including Interest Received Deposit with Banks, Income from Current Investments, Income from Non-Current Investments, Interest received - Delayed payment, Sale of Others material/Scrap others, Profit on Sale of Depreciable Assets, Dividend income, Realized Foreign Exchange Gain/Loss, Misc. income Others, Liquidated Damages received, Management Fee, Tender cost recovery) as non-aeronautical revenue.*

However, in the same order Authority itself had changed its stance and opined that the interest income will be treated as non-aeronautical revenue at the time of true up.

Following is the extract of para 19.15 of the order:

> *"The Authority, for the time being, had projected this sub-head at 'nil' value for the second Control Period. However the Authority proposed to true up the "Other Incomes" based on the actual values realized by DIAL during the second Control Period at the time of tariff determination for the third Control Period."*

Item wise treatment of the other income in various control periods:

- **Dividend (1st & 2nd Control period):**
  Authority decision during the true-up of the first control period: *DIAL has realized dividend income from its investments in JVs. However as the assets pertaining to the JVs are not being reckoned for the purpose of determination of RAB, the Authority is of the view that the dividend income accruing to DIAL from such JVs should also not be considered towards cross-subsidisation.*

  Authority decision during the true-up of the second control period: *Authority has hence decided to consider Other Income, apart from Dividend Income, as part of revenue from Revenue Share Assets to be considered for cross-subsidisation for Second Control Period.*

  Authority decision during the true-up of the third control period: *Authority has decided to consider Dividend Income, as part of revenue from Revenue Share Assets and in case of the dividend from DAFFPL, the dividend income is considered as part of the Aeronautical Services.*

- **Income from Treasury:**
  Authority decision during the true-up of the first control period:
  6.105.3. Interest income received by DIAL (on bank deposits, other deposits and on account of delayed payments) was considered by the Authority as part of the cash flow management undertaken by DIAL and was therefore not considered as part of the cross-subsidisation in the first Control Period. The Authority continues with its proposed treatment and decides to not consider these interest incomes towards cross-subsidization as a one-time exception for the first Control period .

6.105.4. The Authority has also taken into consideration DIAL's submission that profit on sale of investments is of the nature of cash investments done by DIAL in mutual funds and similar treasury instruments based on availability of cash from time to time. Accordingly, the Authority is of the view to consider this item as a part of the cash flow management of DIAL and accordingly decides to not consider the profit for the same towards cross-subsidization as an exception for the first control period.

Authority decision during the true-up of the second control period: *Authority has decided to consider Other Income, apart from Dividend Income, as part of revenue from Revenue Share Assets to be considered for cross-subsidisation for Second Control Period.*

Authority decision during the true-up of the third control period: *Authority has considered these items as part of the revenue from Revenue Share Assets.*

- **Others:**

  Authority decision during the true-up of the first control period: *Revenues arising out of Sale of Other Materials / Scrap - Others, Profit on sale of Depreciable Assets, Management Fees, Miscellaneous Income, Others and Tender Cost recovery will be considered towards cross-subsidization.*

  Authority decision during the true-up of the second control period: *Authority has decided to consider Other Income, apart from Dividend Income, as part of revenue from Revenue Share Assets to be considered for cross-subsidisation for Second Control Period.*

  Authority decision during the true-up of the third control period: *Authority has considered these items as part of the revenue from Revenue Share Assets.*

Without prejudice to our submissions with regard to non-implementation of the Hon'ble TDSAT Judgement in para 1.3 above, we further submit the following items with regard to the other income.

It is pertinent to note that the Authority has maintained *status quo* with respect to exclusion of the other income in revenue from Revenue Share Assets. This matter has been delt at length in the Para 1.8 of the Consultation Paper No. 07/2024-25 by the Authority and the primary reliance has been placed by the Authority that the matter is under sub judice and pending judgement by the Hon'ble Supreme Court of India.

In light of the above facts, when the matter is under sub judice and the Authority has maintained the *status quo* on the treatment of the other income, then the new concepts i.e., consideration of the dividend income as part of revenue from Revenue Share Assets and divided income from DAFFPL as aeronautical revenue may not be made by the Authority.

We request the Authority to be consistent with the approach in determination of tariff and consider the other income as considered in the first control period order for DIAL.

5. Projection for Fourth Control Period (April 01, 2024 to March 31, 2029)

DIAL has provided a detailed response with regard to the non-implementation of the Hon'ble TDSAT Judgements in Para 1.3 above. Thus, certain sections are not being repeated for the sake of simplicity.

5.1. Expansion Capex

DIAL has proposed following expansion capex for the fifth control period as follows:

Particulars	Amount in INR Crores
Terminal 3 Pier C conversion from Domestic to International	69.71
Terminal 2 Refurbishment	114.38
Construction of Code E and C Parking Stands (Including IDC)	574.35
Terminal 3 Pier E construction (Including IDC)	1,661.98

(i) Terminal 3 Pier C conversion from Domestic to International

Proposal by the Authority:

Authority post analysis of the submissions made by DIAL, disallowed an amount of INR 20.37 Crores on accounting of reasons stated below:

Item of Cost / Reasoning by Authority	Cost submitted by DIAL	Cost proposed by the Authority	Reduction
Block Work	0.36	0.36	-
Wall Cladding *Reasoning by the Authority:* *The Authority compared the rate assumed by DIAL against DSR published by CPWD and noted that the rate assumed by DIAL is higher*	4.04	3.60	0.44
Glazing (Glass Partition) *Reasoning by the Authority:* *The Authority compared the rate assumed by DIAL against DSR published by CPWD and noted that the rate assumed by DIAL is higher*	9.45	9.00	0.45
Skywalk	1.12	1.12	0.01
Flooring *Reasoning by the Authority:* *The Authority compared the rate assumed by DIAL against DSR published by CPWD and noted that the rate assumed by DIAL is higher*	4.05	3.43	0.61
Ceiling *Reasoning by the Authority:*	3.47	3.14	0.32

Item of Cost / Reasoning by Authority	Cost submitted by DIAL	Cost proposed by the Authority	Reduction
The Authority compared the rate assumed by DIAL against DSR published by CPWD and noted that the rate assumed by DIAL is higher			
Plaster *Reasoning by the Authority:* *The Authority compared the rate assumed by DIAL against DSR published by CPWD and noted that the rate assumed by DIAL is higher*	0.19	0.12	0.07
Paint	0.03	0.03	-
Counters & X-Ray Machine	5.18	5.16	0.02
Doors	0.10	0.08	0.02
Escalator & Lifts	8.49	8.49	-
Signages	1.18	1.18	-
Expansion Joint	0.12	0.12	-
MEPF & IT *Reasoning by the Authority:* *The Authority through its independent consultant/ aviation expert reassessed the rate considering salvage value and reusage of IT hardware and moderated the rates to arrive at a cost of Rs. 5.01 Cr for MEPF Provision and Rs. 2.37 Cr for IT Provision. The revised cost after moderation amounts to Rs. 7.38 Cr and the Authority proposes to consider the same for this activity.*	11.74	7.38	4.36
Miscellaneous *Reasoning by the Authority:* *To consider only 50% of the cost in the absence of necessary specific details of the activity. The amount proposed to be considered by the Authority works out to be Rs. 1.95 Cr as against Rs. 3.89 Cr submitted by DIAL.*	3.89	1.94	1.95
Design Consultation *Reasoning by the Authority:* *DIAL has calculated Design cost on the total cost of conversion as a soft cost. To avoid the same being double counted, the Authority proposes not to consider Design consultation cost to arrive at the total hard cost*	4.72	-	4.72
Foundation	0.03	0.03	-
Formwork	0.00	0.00	-
Reinforcement	003	0.03	-
Structure Steel	0.44	0.44	-
Soft Cost (including contingencies) *Reasoning by the Authority:*	11.03	3.66	7.37

Item of Cost / Reasoning by Authority	Cost submitted by DIAL	Cost proposed by the Authority	Reduction
DIAL has considered Rs. 6.33 Cr as contingency expenses. However, such expenditure doesn't come as a separate line item at the time of capitalization of the asset as it is part of incurred cost. Considering this aspect, the Authority proposes to exclude the contingency expenses in its examination.			
Total	**69.71**	**49.34**	**20.37**

<u>DIAL's Response:</u>

<u>MEPF & IT works:</u>

The Pier C conversion works requires considerable changes to the existing immigration / security control layouts at both departure and arrivals. This requires new IT infra (cabling, switches, increase in capacity of storage etc) to be executed which include floor cutting / core cutting through slabs etc. This again needs to be carried out in an operational environment with temporary facilities being provided for immigration / security etc to continue with unhindered operations and also minimize passenger inconvenience. The cost estimate thus considered for IT works by DIAL of 4.72 cr is reasonable and needs to be reinstated.

Similarly, the MEPF works need to be carried out in an operational environment and hence the rates for execution are higher than normally provided for. It is therefore requested that the DIAL estimates be approved.

<u>Contingency:</u>

Pier C being constructed in an operational environment which would require considerable temporary works to minimize inconvenience to passengers. Further the works require considerable controlled demolition (slab cutting / beam cutting etc) with temporary supporting which would all incur additional costs. These would be known once detailed design is carried out by the Contractor. Hence a contingency amount had been considered as part of the overall budget of Pier C. Therefore, DIAL is of the view that the Contingency amount needs to be reinstated.

Thus, we request the Authority to reconsider the costs pertaining to the conversion of Pier C from Domestic to International.

(ii) Terminal 3 Pier E construction

<u>Proposal by the Authority:</u>

The Authority has conducted details on the hard costs submitted by DIAL towards Terminal 3 Pier E Construction. The breakup of hard costs is as follows:

Table 212: Cost submitted by DIAL towards Construction of Pier E

E	Pier E (Rs. Cr)	Cost submitted by DIAL
E1	T3 Infill	282.00
E2	T3 PTB reconfiguration & refurbishment	40.00
E3	Pier E	759.00
E4	Link to Pier D	116.00
E5	Pier E Apron (Rigid)	42.00
E6	Taxiway Code C	31.00
E7	Flexible Pavement (ULD Storage, GSE Roads, Perimeter Road)	29.00
E8	Apron Lighting	4.00
E9	Stands Marking	0.88
	Total Hard Cost (A)	**1,302.90**
	Design & PMC charges (B)	*104.23*
	Contingencies (C)	*104.23*
	Total Soft Cost (D=B+C)	**208.46**
	Total Cost excluding IDC (A+D)	**1,511.36**

The Authority has proposed for the moderation of the hard costs as follows:

6.3.95 Similar to the assessment carried out for Code C and E stands, the Authority through its independent consultant/aviation expert analysed the cost for Pier E based on the costs as per the independent study undertaken by KITCO for Phase 3A Expansion Capex of DIAL. Base cost for various works as per KITCO independent study is considered and escalated further based on WPI to arrive at the cost for the respective year of execution. As explained earlier, the WPI for FY 2022 has been moderated to 7.14% based on average of WPI for FY 2021 and FY 2022.

6.3.96 Based on the above assessment, the Authority is of the view that the cost adopted by DIAL for Taxiway and Pavement works are reasonable and hence the Authority proposes to consider the same. The Authority however notes that the cost adopted by DIAL for Apron and terminal building works are not optimal and efficient and hence proposes to consider the costs as per independent study (with escalation based on WPI as mentioned earlier) for Apron and Terminal building related works. Accordingly, the hard cost for Pier E proposed to be considered by the Authority is Rs. 1,045.21 Cr.

6.3.97 The Authority analysed the submission made by DIAL and found that the soft costs (design, PMC, preliminary & preoperative expenses and contingency) estimated by DIAL at ~16% of hard costs is not reasonable and not optimal and appears to be overestimated.

6.3.98 In its estimate, DIAL has considered Rs. 104.23 Cr as contingency expenses. However, such expenditure doesn't come as a separate line item at the time of capitalization of the asset as it is part of incurred cost. Considering this aspect, the Authority proposes to exclude the contingency expenses in its examination. Apart from this, for Apron and refurbishment works, soft cost varies from 3% to 5% and Pier E expansion works has fixed design and hence soft costs including contingency cannot be more than 8%. DIAL has considered 8% as Design and PMC work, which looks reasonable. Hence the Authority proposes to consider soft costs at 8% of total hard costs and the total soft costs proposed to be considered by the Authority has been arrived as Rs. 83.62 Cr as against DIAL's submission of Rs. 208.46 Cr.

6.3.99 Accordingly, the total cost excluding IDC proposed to be considered by the Authority for Pier E is Rs. 1,128.83 Cr as mentioned in the table below:

Table 213: Cost proposed to be considered by the Authority towards Construction of Pier E

S. No	Pier E (Rs. Cr)	Cost submitted by DIAL (A)	Cost proposed to be considered by the Authority (B)	Difference (B – A)
1	**Hard Cost (A)**	**1,302.90**	**1,045.21**	**-257.69**
2	*Design & PMC charges (B)*	*104.23*		
3	*Contingencies (C)*	*104.23*		
	Total Soft Cost (D=B+C)	**208.46**	**83.62**	**-124.84**
	Total Cost excluding IDC (A+D)	**1,511.36**	**1,128.83**	**-382.53**

<u>DIAL's Response:</u>

6.3.96- As has been set out earlier, the study conducted by AERA appointed consultant had not fully appreciated the challenges of working in a operational environment i.e., usage of the Terminal 3 for normal activities along with the construction of the Pier E in DIAL with other constraints like stoppage of works due to NGT etc.

The rates considered by DIAL are based on rates derived from actual rates at which T1D / aprons has been executed as part of Phase 3a. These rates are more appropriate and need to be considered as the working environment in Pier E shall be similar. It is therefore requested that the DIAL rates / amounts be reinstated

<u>6.3.97 / 6.3.98- Contingency</u>

As has been elaborated during the submissions and discussions, the current estimate is based on overall areas that need to be constructed and on a cost / m2 basis. It is therefore considered reasonable that a contingency amount needs to be allowed to take care of increases that may arise during detailed design, finalization of BOQ. It is normal practice that a contingency amount is allowed in estimates of this nature. The continency amount requested by DIAL is based on best industry practices and it is requested that the contingency amounts be allowed.

Thus, we request the Authority to reconsider the costs pertaining to the conversion of Pier C from Domestic to International.

5.2. General Capex

The total general capex submitted by DIAL for the 4th Control Period is as follows:

Table 217: General Capex submitted by DIAL for the Fourth Control Period

S. No	FY Ending March 31, (Rs. Cr)	2025	2026	2027	2028	2029	Total
B1	Project & Engineering (P&E)	227	371	361	331	277	**1,568**
B2	Operations	62	73	17	51	58	**261**
B3	Finishes	44	38	61	41	13	**196**
B4	Security & Vigilance	75	18	13	7	5	**119**
B5	IT	48	23	16	11	14	**112**
B6	Facility Management Services (FMS)	34	9	15	4	7	**69**
B7	Marketing and Passenger Experience	1	1	1	0.5	0.5	**4**
B	**Total**	**491**	**534**	**484**	**446**	**375**	**2,329**

The Authority has conducted detailed analysis of the proposal's made by DIAL towards the each item of the costs submitted by DIAL. The list of Authority's proposals and DIAL's responses are as follows:

a. <u>Reference No. A1 (By Authority)</u>

Asset: CT- XBIS for PESC area at IGIA (Terminal 1&3)

Cost submitted by DIAL: INR 350 Crores

Authority's Proposal: *The Authority noted that BCAS has directed Airports to change PESC with CT-XBIS. In this regard, DIAL proposes to install 90 machines. The Authority noted that final orders on usage are yet to be promulgated and also besides that procurement, installation and commissioning also takes significant time. Therefore, the Authority proposes to consider 44 machines for the Fourth Control Period. Further, based on vendor quote, the Authority proposes to consider an amount of Rs. 5.6 Cr per machine which translates to Rs. 246.40 Cr for 44 machines. DIAL can procure additional machines on requirement basis over and above the quantum of machines proposed by the Authority. Cost of additional machines would be allowed on incurrence basis subject to reasonableness and efficiency.*

Amount proposed by the Authority: INR 246.40 Crores

DIAL's Response:

Airports across the world like that of Munich, Amsterdam, Heathrow and other airports have deployed CT- XBIS machines and it helps in passenger experience as the bags are screened without taking the luggage outside. In India, it may be noted that this is a mandatory requirement by BCAS vied circular no. 02 2023 dated 29.3.23, and all the necessary trials are completed, and we expect to receive an order to deploy these machines shortly.

We have a total requirement of 90 CT-XBIS as per below distribution:

a. 24 CT-XBIS @ T-1
b. 12 CT-XBIS @ T-2
c. 54 CT-XBIS @ T-3

Post recent trials and evaluation at BIAL by BCAS led TSC, it was directed to OEM to upgrade the detection algorithm meanwhile holding the procurement process across India.

The requirement may come into force any time. Hence, we may need to install the requisite no. of machine as submitted in our proposal in the next 1-2 years. Accordingly, we request Authority to consider the total no. of machines i.e., 90 instead of 44 proposed by the Authority.

b. <u>Reference No. A3 (By Authority)</u>

Asset: Body Scanners

Cost submitted by DIAL: INR 145 Crores

Authority's Proposal: *The Authority noted that DIAL is using DFMD at PESC area for passenger frisking. BCAS has directed DIAL to replace all DFMD with Full Body Scanner. DIAL proposes 45 Full Body Scanner for 90 CT - XBIS.*

The Authority has proposed to consider only 44 CT-XBIS machines and accordingly proposes to consider only 22 Body Scanners (i.e. ratio of 1:2). Further, based on vendor quote, the Authority *proposes to consider an amount of Rs. 3.2 Cr per body scanner which translates to total cost of Rs. 70.40 Cr.*

Amount proposed by the Authority: INR 70.40 Crores

DIAL's Response:

It may be noted that this is a mandatory requirement by BCAS vide circular no. 05/2019 dated 08.4.2019, and all the necessary trials are completed, and we expect to receive an order to deploy these machines shortly.

As per SOP conservatively 01 units of FBS is considered within a pair of security lane which may increase after SOP finalization i.e. 1 FBS is required for 2 CT-XBIS

We have a total requirement of 45 FBS as per below distribution:

a) 12 FBS @ T-1
b) 06 FBS @ T-2
c) 27 FBS @ T-3

DIAL has already procured 4 FBS for deployment across terminals for trials.

The requirement may come into force any time. Hence, we may need to install the requisite no. of machine as submitted in our proposal in the next 1-2 years. Accordingly, we request the Authority, to consider the total no. of machines i.e., 45 instead of the 22 proposed by the Authority.

c. Reference No. B3 (By Authority)

Asset: Runway Incursion System

Cost submitted by DIAL: INR 25 Crores

Authority's Proposal: *The Authority noted the submission made by DIAL regarding Runway Incursion System. DIAL has mentioned that 4 runways are in operation and system has to be in place to avoid incidents and it is estimated to be installed at a cost of Rs. 25 Cr.*

Presently, systems and procedures are in place to check runway incursions i.e. mandatory signages, runway holding positions, cross-bar lights, surface movement and guidance systems and communication with ATC (operational vehicles and aircraft).

The Authority noted that incidents have occurred in past, and system has failed to detect incursion. Hence the Authority proposes to form a committee comprising of experts from DGCA and AAI to vet the Techno-Economic Viability (TEV) of the activity and consider the cost based on incurrence.

Amount proposed by the Authority: Nil

DIAL's Response:

The runway incursion warning system is crucial for ensuring operational safety, given the high traffic volume at our airport. With two pairs of parallel runways and over 600 crossings from the inner runway daily, it is essential to safeguard both the inner runways and crossing points. The system will provide protection to:

- Aircraft waiting to cross the runway
- Aircraft holding for lineup clearance
- Aircraft already lined up for departure

The system uses fused surveillance data processed through complex state and safety logic. This safety information is then automatically conveyed to the pilots and vehicle operators via three types of in-pavement lights on the airport surface:

1. Runway entrance lights (RELs) – It warns pilots and vehicle drivers it is unsafe to enter or cross a runway because runway is or soon will be occupied by high-speed traffic such as an aircraft taking off/landing
2. Take-off hold lights (THLs) – It warns pilots it is unsafe to take-off because the runway ahead is occupied by another aircraft or vehicle
3. Runway Intersection Lights (RILs) – It warns pilots in a take-off or landing roll that the intersection ahead is unsafe to enter or cross because a conflict exists

Thus, each crossing of an active runway presents a significant safety risk and implementing this system will enhance the situational awareness, minimize incursion risks and improve overall runway safety.

Accordingly, we request AERA to consider the amount as proposed.

d. <u>Contingency Expenses</u>

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
A27	Contingency Expenses (Project & Engineering) ***Authority's Proposal:*** *"The Authority noted that DIAL has estimated Rs. 37.50 Cr as contingency that may arise due to unforeseen new regulation, operational requirement, stakeholder commitment etc.* *The Authority proposes to disallow the entire amount and consider the same based on actuals subject to reasonability and efficiency and shall be trued-up in the Fifth Control Period."*	37.50	-	37.50	Delhi airport has been operationalized for more than 18 years. Key infrastructure and additional runway which have been developed by DIAL have been operating for more than 15 years now. While DIAL continuously plan to undertake major maintenance and improvement. However, given the age of asset, there are number of unforeseen major capex expenditure to be undertaken. Basis the same, DIAL has requested 37.5 cr for contingency which is spread across five years and the amount is less than 0.2% of the total capex costs incurred by DIAL on IGI Airport. Thus, we request Authority to allow the amount as proposed.

e. ***Asset Sustenance Capex***

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
A27	Asset Sustenance Capex (Project & Engineering) ***Authority's Proposal:*** *The Authority noted that DIAL proposes to rehabilitate landside buildings, replace chillers (6 Nos), replace gantry and signages, develop Battery Storage System for MRSS etc. in a phased manner. It is estimated to be completed at a cost of Rs. 220 Cr.* *The Authority through its independent consultant/aviation expert analyzed the submission made by DIAL and found the same to be an overestimate. Hence, the Authority proposes to consider Rs. 150 Cr by taking into account the cost for priority and critical items with the cost for balance items deferred to next Control Period.*	220.00	150.00	70.00	It may be noted that DIAL has undertaken detailed study of the assets at airport. As a result of which, DIAL found the assets are aging and may require regular maintenance. Accordingly, DIAL had undertaken 100+ projects under 10 cr Hence, request AERA to consider proposed capex to the full extent in this control period only
D4	Asset Sustenance Capex (Security & Vigilence) ***Authority's Proposal:*** *"The Authority noted DIAL's proposal to replace old perimeter wall including cargo area with PIDS system and set up Fargo printers for AEP, procure computers, contact and contact less card reader.* *The Authority through its independent consultant/aviation expert analysed the submission made by DIAL and accept replacing old perimeter wall and rationalised the number of printers to 2 and computers to 5. The Authority hence proposes a revised cost of Rs. 5 Cr as against Rs. 9 Cr submitted by DIAL."*	9.00	5.00	4.00	Replacement old perimeter wall including cargo with PIDS system is a regulatory requirement mandated by the following "Restricted" BCAS Circulars: • Rule17 of the Aircraft (Security) Rules , 2023 and Para 6.2.7 of the NCASP. • Rule18 of the Aircraft (Security) Rules , 2023. • AC 05/2017 Part 1A (V) • ASP, AO 06/2018 • Rule no. 16 (1), (2), and (3) of ASR 2023 • 6.2.5 of NCASP2018, and Rule 18(b) of Aircraft (Security) Rule 2023. • Rule 17 of ASR, 2023. DIAL has submitted the estimates basis the total requirement and cost as per the

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
					previous purchase order. Any downward revision in budget may affect the total work and lead to non-compliance. Similarly, given the size of airport and the number of people working in different capacity at airport, we are witnessing the increase in issuance of AEP passes. In order to cater to this requirement, we had proposed for 5 fargo printer (specialized in printing AEP). Lower number of printers may affect the operational efficiency for printing of passes. Therefore, we request the authority to reconsider the projects and allow this expenditure in total for the requirement.

f. Reference No. B3 (By Authority)

Asset: Beautification of Airport Gateways and other areas

Cost submitted by DIAL: INR 13 Crores

Authority's Proposal: *The Authority noted that DIAL proposes to beautify Airport Gateways and other area at an estimated cost of Rs. 13 Cr.*

The Authority noted the submission and is of the view that this activity may not have any tangible benefit for the users and hence proposes to not consider this cost estimate.

Amount proposed by the Authority: Nil

DIAL's Response:

Pollution is one of the most critical and increasingly emerging environmental issues in Delhi which is affecting physical and mental health of the all the people including passengers at Delhi Airport. Under this landscaping project, large area will be covered with natural plants and other landscape features which is necessary for improving the air quality, environment and ambience in the area for better passenger experience. Proper designed landscape shall be helpful in arresting and absorbing suspended micro pollutants, available in local environment, leading to improve AQI.

Secondly, considering Delhi International Airport as "Gateway to India", it's prudent to improve look and feel at the landside and Cityside areas, as the first impression by an international passenger adds up value to enhanced image building of our great nation.

Additionally, Government of India has an aspiration to make India as Hub, in line with this, Delhi airport has been identified as airport to be developed as Global Hub, for which it become utmost important to provide best passenger experience and to build reputation of DIAL as Global Hub among global passengers.

Therefore, DIAL has to incur these expenses which will overall enhance passenger experience

These costs are forming part of the Landscape and are allowed by the Authority for various airports lists are as follows:

- **Bengaluru Airport:** In case of the Kempegowda International Airport (KIA), the Airport Operator has proposed the landscape works for the third control period. Considering the COVID 19, the Authority requested to postpone these costs, however the same were not disallowed by the Authority. Below is the extract for ready reference.

  B16 and B17 – Landscape works and Alpha 4 project

  5.2.67 The Authority reviewed the submission of BIAL for the Landscape works and Alpha 4 project.

  5.2.68 On the backdrop of the impact on air traffic and the entire aviation industry due to COVID-19, the Authority is of the view that there is a need to postpone the capital expenditure which is not urgent or not ongoing from the Third Control Period. This would reduce the tariff burden on the airport users.

  5.2.69 In its MYTP, BIAL has submitted that the Alpha 4 is proposed in the later part of the Third Control Period due to the impact of COVID-19 on air traffic and its current staff are accommodated at different locations across the airport on the short-term basis. The Authority noted that BIAL has already accommodated its employees and BIAL has also acknowledged the impact of COVID-19 on the capital expenditure plans of the airport. Therefore, the Authority is of the view that Alpha 4 is not an urgent requirement of the airport and it can be postponed to the next control period.

  5.2.70 Similarly, the Authority noted that the landscape works are also proposed to be capitalized in the last year of the Third Control Period, that is, FY26. BIAL has proposed these landscape works through sustainable drainage along with a network of footpaths and cycle paths for sustainable transport. The Authority is of the view that these capital expenditure projects are not urgent for the airport and can be postponed to the next control period.

  5.2.71 Accordingly, the Authority proposes to exclude the Landscape works and Alpha 4 project cost from the Third Control Period.

- **Delhi Airport:** Landscape works are always allowed by the Authority till the 3rd Control Period. However, the Authority has decided not to consider the landscape activities for the 4th Control Period.

Thus, we request the Authority to allow this expenditure.

g. Other assets

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
A5	Upgradation of AGL CMS Software update & Hardware replacement ***Authority's Proposal:*** *The Authority noted that system software and hardware are installed in 2017 and they have a useful life of 5 years. DIAL estimated Rs. 55 Cr for this upgradation activity and the scheduled replacement is in FY 2030. The Authority proposes to segregate the cost between the Fourth and Fifth Control Period and hence has considered Rs. 25 Cr for the Fourth Control Period.*	55.00	25.00	30.00	There are more than 300 circuits related to AGL and it has to be integrated to CMS software at one go only for smooth airport operation. Splitting the work over two different time period is not advisable from operations point of view and may pose challenges. Therefore, we request the authority to allow this expenditure in this control period only.
C1	Boarding Gate Seating area modification ***Authority's Proposal:*** *The Authority noted that DIAL proposes to enhance the current seating area and associated infrastructure at some of the boarding gates to enhance customer experience.* *The Authority through its independent consultant/aviation expert analysed the submission made by DIAL and sought clarification on the number of gates and cost required for modifying the gate. Based on the data shared by DIAL, the Authority proposes to moderate the cost to Rs. 20 Cr as the cost estimated by DIAL is found to be not optimal.*	45.00	20.00	25.00	DIAL is refurbishing departure boarding gates with respect to seating capacity increase, typology of gate seating to facilitate all passenger demographics, renew the layout to facilitate seamless circulation and boarding process. Illumination and charging points will be optimally provided to enhance passenger experience. It may be noted that we planned to execute 18 gates with the proposed budget. As per the recent purchase order, we have refurbished one gate at a total cost of 2.58 cr. Considering this cost incurred per gate we expect the total expense to be north of 45 cr. Thus, moderation of this capex will lead to lower number of boarding gates modification. Hence, we request authority to allow this expenditure in total so that all the identified gates modifications are carried out in phased manner.

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
A28	Safety & Security Related Capex ***<u>Authority's Proposal:</u>*** *"The Authority noted that DIAL as part of safety and security related measures proposes to carry out construction of Perimeter Wall & Watch Towers, Big tunnel XBIS conversion from Single view to Dual View (11 machines at Rs. 67 lakh per machine), Explosive Trace Detection (20 machines at Rs. 15 lakh per machine), Cyber Security in CMS in T1 & T3, LED lights in Apron and MRSS OT Systems, Replacement of Fire pumps (Diesel + Electrical) etc.* *The Authority through its independent consultant/aviation expert found the requirement to be reasonable and justified. However, the Authority proposes to allow cost of Rs. 40 Cr for the Fourth Control Period while the balance capex is proposed to be rolled over to the next Control Period."*	56.00	40.00	16.00	The submission for the safety and security related projects under this head is as per the current operational requirement and the mandated security related directions received form regulators. These projects are to be done as per the timeline. Postponing of the mandated activity would be seen as non-compliance for DIAL to the regulatory mandate. Therefore, we request the authority to reconsider and allow this expenditure in total for the requirement. Hence, request AERA to consider the proposed capex in this control period only.
D5	Safety & Security Related Capex ***<u>Authority's Proposal:</u>*** *"The Authority noted DIAL's proposal to install Facial Recognition and other AI tools in CCTV, upgradation/ replacement of Radiation Detection Equipment, SITC of CCTV for Surveillance system at isolation bay etc to enhance the safety of Airport. These works are estimated to be completed at a cost of Rs. 25 Cr.* *The Authority through its independent consultant/aviation expert analysed the submission made by DIAL and found installation of CCTV at Isolation bay is too early as the civil proposal for Isolation Bay has not been approved. Hence the*	25.00	10.00	15.00	Implementation of FR (Facial Recognition) and other AI (Artificial Intelligence) in CCTV Cameras is a regulatory requirement mandated by AVSEC Order No. 02/2023 and BCAS Circular No. 05/2017. Upgradation of Radiation Detection Equipment is a regulatory requirement mandated by BCAS Circulars 01/2020. CCTV Surveillance System at Isolation Bay is a regulatory requirement mandated by BCAS circulars - AC 05/2017 and BCAS HQs letter no. CAS-5(4A).2008/DIV-I (DIAL Ops), dated 17th December 2012.

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
	Authority proposes to moderate the cost to Rs. 10 Cr."				It may be noted that, DIAL has initiated the tendering process for creation of isolation bay wherein the 360-degree security camera coverage are required as per Security agency approval. Postponing of the mandated activity would be seen as non-compliance for DIAL to the regulatory mandate. Therefore, we request the authority to reconsider and allow this expenditure in total for the requirement.
D1	Upgradation of Airside gates (mechanical and automations, civil, security and P&E) ***Authority's Proposal:*** *"The Authority noted that in order to comply with BCAS requirements and to improve operational efficiency, DIAL proposes to enhance airside gates, security gadgets, IT and P&E system and construction of gate house.* *The Authority through its independent consultant/aviation expert analysed the submissions made by DIAL and found the requirements to be reasonable but proposes to consider only Rs. 33 Cr for the Fourth Control Period and to shift the balance remaining amount to next Control Period."*	44.00	33.00	11.00	Upgradation of airside gates is a regulatory requirement mandated by the following BCAS Circulars which are "Restricted" to be shared: • Rule 16 of ASR 2023, AC 28/2006, AO 06/2018 and BCAS OM dated 29.01.2024 stipulate gate house equipment • BCAS-12022014-Sec.vetting-of Design • BCAS Circular 2/2007 • Rules 2022 in Chapter VI - Aerodrome Access Control. • BCAS Circular no 11/2017 • Revised manpower survey for augmented Gate requirement. This activity commences at the start of the control period and needs to be finished as soon as possible. Delaying this would be seen as non-compliance to the regulatory mandate. Therefore, we request the authority to allow this expenditure in this control period only.
A4	RWY 11R/29L (Civil works)	90.00	80.00	10.00	The cost has been assessed basis the requirement and previous

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
	Authority's Proposal: *"The Authority noted that RWY11R/29L was constructed in 2008 and due to the impact of ageing and max load of traffic, center line crack is observed throughout the runway. DIAL proposes Rs. 90 Cr towards civil works for this activity.* *The Authority based on the analysis through its independent consultant/aviation expert proposes to consider Rs. 80 Cr. The rationalization in cost proposed by the Authority is on account of higher inflation rate considered by DIAL."*				purchase order. It may be noted that we may incur additional cost. Hence, request authority to consider the proposed capex
C2	Carpet Change for T3 – Domestic and International side (Departures and Ramps) ***Authority's Proposal:*** *"The Authority noted that existing carpet in IGI Airport is 13 years old and DIAL proposes to replace the existing carpet with epoxy flooring in buggy movement area.* *The Authority through its independent consultant/aviation expert analysed the necessity of the requirement and found it to be reasonable while the cost estimated by DIAL was compared with market rates and found to be inconsistent with the market rates. Hence the Authority proposes to moderate the cost estimated by DIAL to Rs. 20 Cr."*	30.00	20.00	10.00	It may be noted that this requirement encompasses of carpet change, all the enabling work, barricading and electrical raceway work. The estimates were basis the area to be undertaken in this project and the vendor quote submitted. As per the recent purchase order the cost per sqm for carpet installation amounted to INR 7586/Sqm. We have a total area of 50000 sqm to cover. Considering the cost incurred we expect the total expense to be north of 30 cr. Thus, moderation of this capex will lead to lower carpet area Hence, we request authority to allow this expenditure in total so that we may proceed with the requirement.
C3	Carpet Change for T3 – Domestic and International side (ARRIVALS) ***Authority's Proposal:***	30.00	20.00	10.00	It may be noted that this requirement encompasses of carpet change, barricading and electrical raceway work and all

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
	"The Authority has noted that existing carpet in IGI Airport is 13 years old and DIAL proposes to replace the existing carpet with epoxy flooring in buggy movement area. *The Authority through its independent consultant/aviation expert found the requirement to be reasonable, but cost estimated by DIAL was found to be not optimal when compared with market value. Hence the Authority proposes to moderate the cost estimated by DIAL to Rs. 20 Cr."*				the enabling work. The estimates were basis the area to be undertaken in this project and the vendor quote submitted. As per the recent purchase order the cost per sqm for carpet installation amounted to INR 7586/Sqm. We have a total area of 50000 sqm to cover. Considering the cost incurred we expect the total expense to be north of 30 cr. Thus, moderation of this capex will lead to lower carpet area Hence, we request authority to allow this expenditure in total so that we may proceed with the requirement
B2	Replacement of seating at all terminals ***<u>Authority's Proposal:</u>*** *"The Authority noted that DIAL has proposed to replace seating at all terminals and DIAL has already commenced the activity.* *The Authority noted the requirement and is of the view that this requirement is necessary, but the quantity and rates considered are not optimal and therefore proposes to moderate the cost to Rs. 20 Cr."*	29.10	20.00	9.10	DIAL has benchmarked the seating options with leading airports worldwide and found the Vitra, Matteo Grassi and Zaftig chairs to provide ergonomic seating for passenger comfort. It may be noted that these chairs are imported and have a life of 10 years and were bought in the year 2010. DIAL, through regular maintenance and spares replacement, has extended its life, this far. Basis maintenance cycle and the new additional requirement the quantity was derived. DIAL has also shared the relevant recent purchase order to justify the costs proposed. Hence, request authority to consider the proposed capex.

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
A11	Apron (Civil works) ***Authority's Proposal:*** *"The Authority noted that Taxiway N in Cargo Apron and at T2 remote stands was constructed in 1982 during AAI period to cater to the needs of heavy aircraft movement. DIAL proposes to rehabilitate the taxiway and it is estimated to be carried out at a cost of Rs. 26 Cr.* *The Authority through its independent consultant/aviation expert analysed the submissions made by DIAL and found that some of the works in this activity are overlapping with construction of flexible pavement taxiway and hence proposes to moderate the construction cost to Rs. 18 Cr."*	26.00	18.00	8.00	The cost has been assessed basis the requirement and previous purchase order. We checked for any overlapping cost with the flexible taxiway and found there is no overlapping costs. It may be noted that though the heading of the work carried out is same, but they are carried out in different parts of the apron and that there is no overlap. Hence, request authority to consider the proposed capex
C4	Signage Revamp for all Terminals ***Authority's Proposal:*** *"The Authority noted that DIAL in its submission has mentioned new facilities are being added to the terminals regularly and it is proposed to have new signages across all terminals.* *The Authority through its independent consultant/aviation expert analysed the submission made by DIAL and found it to be reasonable. However, T1 has been commissioned recently and there is a proposal for adding Pier E and modification of Pier C and D in T3 and new signages will be installed in these areas which is part of the capex already allowed. Hence estimated amount has been proposed to be moderated to Rs. 7.5 Cr."*	15.00	7.50	7.50	It may be noted that Signages are crucial for any airport and will help improve passenger experience by providing a consistent experience throughout the touchpoints. Accordingly, we plan to onboard a consultant who will study our signages and basis that will design signages for all terminals. The cost has been assessed basis the requirement and previous purchase order Hence, request authority to consider the proposed capex.
B11	Capacity Enhancement Capex ***Authority's Proposal:***	11.00	7.00	4.00	It may be noted that DARK warehouse and training centre is part of the same project.

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
	"The Authority noted that as part of Capacity Enhancement Capex DIAL proposes to develop DARK warehouse and Training Centre, Mobile Command Post etc. *The Authority through its independent consultant/aviation expert analysed the submission made by DIAL and found the requirement for Mobile command post and DARK warehouse are reasonable whereas requirement for Training Centre is not reasonable. Hence the Authority proposes to disallow Rs. 4 Cr and allow only Rs. 7 Cr as against Rs. 11.00 Cr submitted by DIAL."*				As per DGCA guidelines dated 15 July 2019, reference no – AV 20011/20/2011-AL we are mandated to keep DAR Kit and "***Airport operators shall ensure a level of training and proficiency of personal involved in aircraft removal operation***" Accordingly, we are required to build the infrastructure for such training Hence, request authority to consider the proposed capex
B4	Runway Sweeping Machine ***<u>Authority's Proposal:</u>*** *"The Authority noted that DIAL has proposed to procure runway sweeping machine for the upkeep of the runways.* *The Authority has noted that DIAL already has 6 machines of which 3 machines will complete their useful life in Dec 2024. Hence the operator proposes to replace 3 machines in FY 2025.* *The Authority through its independent consultant/aviation expert analysed the submission made by DIAL and found the cost to be on higher side and hence proposes to moderate the cost to Rs. 10.50 Cr to make it consistent with the market rates."*	14.19	10.50	3.69	DIAL studied the useful life of the asset and found 3 machines must be replaced due to end of its useful life. It may be noted as per the recent PO placed for two machines, value of one machine was INR 4.64 cr. Overall, for three machine it will be close to 14 cr. Hence, request AERA to consider the proposed amount
C11	Landscape design feature at T1 and T3 and upgradation of information desks with multimedia facilities ***<u>Authority's Proposal:</u>*** *"The Authority noted that DIAL proposes to enhance passenger*	7.00	4.00	3.00	The key focus of any airport is to provide passenger best/memorable experience at airport. We agree there are no norms but our airports long term vision is to be the best airport in the world.

Identification	Asset / Project Description & Authority Proposal	INR in Crores			DIAL's Response
		Submitted by DIAL	Proposal	Reduction	
	experience by creating water feature/ landscape design feature at T1 and T3. DIAL also proposes to upgrade information desks with multimedia facilities. *The Authority through its independent consultant/aviation expert noted the submissions made by DIAL and found that there are no norms for beautification projects and it doesn't fetch any additional revenue. Hence, the Authority suggested DIAL to explore the possibility of the sponsor support for this activity and proposes to moderate the cost to Rs. 4 Cr by allowing only upgradation of information desk."*				To achieve this, we have to undertake few capital expenditure which will help improve brand and reputation of the airport. Hence, request authority to consider the proposed capex.

5.3. Weighted Average Cost of Capital

(i) Cost of Debt

Proposal by the Authority:

7.2.8 The Authority proposes to consider 1-year SBI MCLR at the start of the commencement of the Control Period to be the right benchmark to which necessary spread has to be added which should absorb the financing and other associated costs incidental to fund raising activity.

7.2.9 The Authority is of the view that given the External Credit Rating of AA- for DIAL and also considering the situation wherein DIAL had already locked in higher interest rates during a higher interest rate environment during the Phase 3A expansion project, a spread of 150 bps above the benchmark could be considered as the optimum spread for DIAL.

7.2.10 Considering the above, the Authority proposes to consider efficient cost of debt at 10.15% considering a spread of 150 bps above SBI 1-year MCLR of 8.65% at the beginning of the Control Period.

7.2.11 DIAL should over the next few years be able to optimize the cost of debt given the expected decline in benchmark rates of borrowing and shall take effective steps to raise debt at efficient costs to retire the high-cost debt already raised in the past control period so that the interest costs of DIAL gets optimized and the benefits are shared with the airport users.

7.2.12 The Authority has reworked the weighted average cost of capital considering the efficient cost of debt of 10.15%. The Authority proposes to also true up the cost of debt based on actuals or *the cost of debt considering the spread of 150 bps plus SBI 1-year MCLR (whichever is lower) at the time of tariff determination for the Fifth Control Period.*

DIAL's Response:

The Authority shall consider the actual cost of debt incurred by the DIAL, since these debts are issued at market discovered price, financing mechanism of the DIAL and its financial performance. DIAL as an entity always explores ways to minimise the cost of debt and associated costs towards the same. Thus, it is requested to the Authority that actual cost of debt including related refinancing costs are considered by the Authority while true-up for the next control period.

5.4. Operating Expenditure ('OM')

The Authority is requested to consider the true-up of the expenditure incurred by the DIAL for the projected period at actuals post efficiency test for the each head of the expenditure. Below is our itemised response for each head:

Increase in the Airport Costs due to the expansion works:

Proposal by the Authority:

9.2.6 As per DIAL's submission, expenses related to Repairs and Maintenance, Housekeeping, Consumables, Manpower Hire Charges, Security expenses and Utility expenses are linked to increase in terminal area while expenses related to Manpower and Admin & General expenses are linked to manpower growth factor.

9.2.7 The Authority after examination of DIAL's submission of Inflation rate for the Fourth Control Period proposes to consider inflation rate of 4.6% for the Fourth Control Period i.e. FY 2025 to FY 2029 as per the "Results of the Survey of Professional Forecasters on Macroeconomic Indicators – Round 89" published by the RBI (Refer Table 240).

9.2.8 The Authority after analysis of the terminal area increase and manpower growth factors noted that the O&M expenses may not increase in direct proportion to terminal area increase and/or passenger handling capacity due to economies of scale.

9.2.9 Accordingly, the Authority proposes to moderate the terminal area increase and manpower growth factors and propose to consider only 2/3rd of the terminal area and manpower growth factor considered by DIAL.

i. Terminal Area Increase Factor: The Authority proposes to consider terminal area increase factor of 14.53% and 4.54% in FY 2025 and FY 2028 respectively as against 21.79% and 6.81% respectively considered by DIAL.

ii. Manpower Growth Factor: The Authority proposes to consider manpower growth factor of 14.53% as against 20.61% considered by DIAL in FY 2025. However, the Authority proposes to consider manpower growth factor of 4.00% as submitted by DIAL in FY 2028 as DIAL's submission is found to be reasonable.

9.2.10 The summary of the key growth/ escalation factors proposed to be considered by the Authority for projecting O&M expenses for the Fourth Control Period is as follows:

Table 245: Key Growth/Escalation Factors proposed to be considered by the Authority for the Fourth Control Period

FY ending March 31	2025	2026	2027	2028	2029
Inflation	4.60%	4.60%	4.60%	4.60%	4.60%
Terminal Area Increase Factor	14.53%	-	-	4.54%	-
Manpower Growth Factor	14.53%	-	-	4.00%	-

<u>Authority's proposal for Manpower Expenditure:</u>

9.2.16 The Authority assessed the past CAGR of Salary expenses and found that the expenses grew at a CAGR of 9% during the Second and Third Control Period. Accordingly, the Authority is of the view that the growth rates considered by DIAL are well above the historical trend.

9.2.17 The Authority also observed that IGIA is an established airport with the highest passenger traffic among all the major airports in India and must have taken sufficient measures to bring in efficiency in its overall functioning. The Authority also noted that DIAL shall be able to optimize the manpower costs as DIAL over a period of time has invested a lot in technology. Accordingly, the Authority expects the expenses towards Salaries and Wages to grow at a rate marginally higher than the inflation rates.

9.2.18 The Authority, after analysis of the submission as well as past trend, proposes to consider a growth rate of 6% p.a. for Salaries and Wages and also consider manpower growth factor of 14.53% in FY 2025 and 4% in FY 2028.

<u>DIAL's Response:</u> DIAL in its MYTP submission has considered the following basis for the purpose of the projections:

DIAL has projected increase of the head counts for operations at Delhi airport by approximate of 21% corresponding to FY 24-25 to cater to the needs of the manpower due to increase of operations post Phase 3A in airside, landside, terminal side and support functions. <u>Further, from Jan'25 the second airport (Jewar Airport) within the vicinity of Delhi is going to be operationalised, thus there is a need for the Delhi airport to retain the employees specialised in the operations and require additional cashflows from DIAL by way of increments/retentions and other payments</u>. Thus, DIAL projected the increase in these costs by inflation of 4.6% p.a and real growth in manpower cost by 7% p.a and a further increase of employees due to expansion works at 21% in FY 24-25 due to Phase 3A, and at 4% in FY 27-28 due to Pier E.

The Authority has considered only a 6% of growth rate in the manpower costs, thus eventually negating the inflation of 4.6% and no further increase in the costs. We have already highlighted that the second airport within the vicinity of the Delhi is due for operation in FY 25-26 thus it requires DIAL to have a considerable impact on the manpower costs to retain the employees. Further, the Authority itself has analysed that the CAGR for the past periods is around 9% p.a. However, the Authority proposes 6% only for the 4th Control Period for manpower costs escalation which is detrimental for the airport operations.

In addition, DIAL has already considered the passenger handling capacity as the key driver for increase in the expenditure and has already applied a elasticity i.e., 40% of the increase in the handling capacity, which is on realistic basis. However, the Authority has changed the driver to increase in the terminal area of the IGI Airport and consider the elasticity of 2/3 which hampers the increasing manpower costs of DIAL. Thus the allowed manpower expenditure of DIAL is reduced drastically.

We request the Authority to consider the manpower costs in accordance with the submissions of DIAL and consider the growth of at least 9% as observed by the Authority itself in the past control period.

Authority's proposal for Professional & Consultancy:

9.2.41 The above legal charges paid by DIAL are not at all critical or necessary for the Aeronautical Operations of the Airport and are by nature paid towards legal cases with other stakeholders. As these don't have any value addition to the services offered to the airport users, the Authority proposes to disallow these expenses as part of Professional and Consultancy expenses for the Fourth Control Period. The Authority also noted that even in the concession agreements executed by GoI for recent airports, legal expenses are excluded from the O&M expenses considered as a passthrough for tariff determination.

9.2.42 The Authority analysed the past growth rates of Professional and Consultancy expenses and noted that the annual growth rates as well as CAGR for five and ten-year periods are highly inconsistent with some of the years recording negative growth rates.

9.2.43 Considering the above, the Authority proposes to consider only the inflation rate of 4.6% p.a. for projecting Professional and Consultancy expenses for the Fourth Control Period and also proposes not to consider Legal expenses for the Fourth Control Period.

9.2.44 The Aeronautical portion of Professional and Consultancy expenses excluding legal charges proposed to be considered by the Authority for FY 2024 is Rs. 41.71 Cr as per Table 100. The same is taken as the base for projections for the Fourth Control Period.

DIAL's Response: DIAL in its MYTP submission has considered the following basis for the purpose of the projections:

Legal Expenses:

The legal expenses incurred by the DIAL are necessary for the DIAL in order to protect it interest and maintenance of the Airport. The Authority's analysis considering the recent concession agreements have no bearing on the DIAL since the State Support Agreement is not having any restrictions on such. Further these expenses are necessary for the operation of the IGI airport can be attributable following items:

- The IGI Airport is *de facto* party to the many of litigations that occur in the premises of the Airport Site, being the operator. Many of these litigations are very small in nature, however, DIAL in accordance with the law has obligation to appears for these notices and has to incur these costs;
- DIAL had to incur the litigation costs towards the property tax demand of the Delhi Cantonment Board in order to reduce the costs to be incurred by the passengers flying from the IGI Airport. The demand of the DCB was ~ INR 800 Crores p.a. which was reduced to ~ INR 9-10 Crores per annum for the past periods;
- DIAL had to incur the legal costs to protect its integrity on various matters pertaining to the Aeronautical Charges and payments to AAI. Since, the regulatory environment is not settled in India, there are many litigations in the Indian environment especially DIAL being a pioneer of the PPP airport had to litigate these cases to protect its integrity along with economic viability and sustainability.

Thus, we request the Authority to allow the expense on incurrence basis post efficiency test.

Professional Consultancy Expenses:

DIAL submission during the MYTP submission is as follows:

Due to increase in the passenger capacity, operation of four runways coupled with the competition from the Jewar Airport in the near future, DIAL is projected to incur the professional and consultancy expenditure for various improvements in its processes in order to sustain its operations. Thus, DIAL has projected for increase of these expenditure at Inflation of 4.6% and real growth of 10% year on year for the entire fourth control period.

The Authority has not considered the above submission of DIAL which is required and necessary for DIAL to remain competitive.

Authority's proposal for Corporate Costs:

9.2.66 The Authority analysed the past growth rates pertaining to Corporate Costs and noted that the same is highly inconsistent.

9.2.67 The Authority is also of the view that the rates considered by DIAL for projecting Corporate Costs are higher. The Authority noted that the services provided by group entities mentioned above are primarily related to HR and Corporate Finance i.e. manpower related functions.

9.2.68 Accordingly, the Authority proposes to consider growth rate of 6% p.a. for projecting Corporate Costs along with manpower growth factor of 14.53% and 4.00% in FY 2025 and FY 2028 respectively for the Fourth Control Period similar to the growth rates proposed to be considered by the Authority for Salaries, Wages and Bonus under Manpower Expenses.

DIAL's Response: The corporate cost allocations are majorly manpower driven. Thus DIAL requests the Authority to humbly consider the responses provided in the case of manpower costs with respect to growth rates for this item as well.

Authority's proposal for Manpower Hire Charges, Housekeeping Expenses & Security Expenses:

9.2.95 The Authority analysed the past growth rates for the above-mentioned expense and found that the same has been highly inconsistent. The Authority also noted that no trend could be established for the expenses based on the past growth rates.

9.2.96 The Authority hence proposes to consider a growth rate 6% p.a. for Housekeeping expenses, Manpower hire charges and Security expenses for the Fourth Control Period and also to consider adjusted terminal area expansion factor of 14.53% and 4.54% in FY 2025 and FY 2028 respectively.

DIAL's Response: The expenses referred above are purely manpower intensive costs. Since, the Authority has already assessed the CAGR of the manpower costs for the past period, we request the Authority to humbly consider the responses provided in the case of manpower costs with respect to growth rates for this item as well.

Authority's proposal for Finance Lease Payments:

9.2.110 The Authority analysed the terms of lease and found that the effective interest rate on the lease financing works out to 12.65% p.a. (lease payment of Rs. 7.20 Cr for 84 months on cost of Rs. 400 Cr) which is higher while compared with the effective cost of debt of 10.55% claimed by DIAL for the Third Control Period. Further, the Authority noted that DIAL has not considered interest income on the security deposits which needs to be netted off against the lease payments.

9.2.111 Accordingly, the Authority proposes to consider lease payments at the Aeronautical Cost of Debt proposed to be considered by the Authority for the Third Control Period i.e. 10.37% p.a. The lease payment at an interest rate of 10.37% p.a. works out to Rs. 6.72 Cr per month and interest income on security deposits works out to Rs. 7 Cr per annum.

DIAL's Response: Refer the detailed response of DIAL in Para 4.2(iii).

5.5. Revenue from Revenue Share Assets ('S')

The Authority is requested to consider the true-up of the revenue from Revenue Share Assets earned by the DIAL for the projected period at actuals. Below is our itemised response for each head:

Air-Traffic Related Revenue

DIAL has submitted below revenues for air-traffic related revenue:

INR in Crores

Particulars	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Air traffic Related Revenue:					
Ground Handling- Registered	166	183	191	198	214
Ground Handling - Third Party	56	59	62	65	68
Bridge Mounted Equipment Revenue	10	11	11	12	12
	233	**253**	**264**	**274**	**294**

Proposal by the Authority:

- ***Ground Handling:***

  Registered:

  10.2.7 The Authority based on its analysis noted that past 5-year CAGR of contribution per international ATM towards revenue from Ground Handling (Registered Parties) is exceptionally high on account of the following:
  • Concession Fee from Ground Handlers increased recently in FY 2021.
  • DIAL started earning revenue from Air Traffic Movement (ATMs) pertaining to Air India with effect from August 2022.

  10.2.8 Based on the above analysis as well as considering DIAL's submissions, the Authority proposes to consider YoY increase of 5% on contribution per international ATM for projections for the Fourth Control Period.

  Third Party:

  10.2.14 The Authority based on its examination has noted that the revenue from all Air Traffic Related activities has a growing trend based on past performance whereas DIAL has submitted projection for the Fourth Control Period with a declining trend. Hence, the Authority proposes to consider YoY increase of 6.5% on contribution per ATM for projections for the Fourth Control Period based on past CAGR.

<u>DIAL's Response:</u> The upcoming highly competitive environment with the opening of Jewar Airport and also commencement of commercial flights from Hindon Airbase, will put the pressure on revenues from Air Traffic Related Services. Thus, DIAL requests the Authority to consider the growth rates as submitted by DIAL without the tariff increase considered.

<u>Passenger Related Revenue</u>

DIAL has submitted below revenues for passenger related revenue

INR in Crores

Particulars	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Flight Kitchen- Concession Fee	86	95	101	106	117
Cark Park (MLCP)	97	108	114	121	132
Cark Park (Radio Taxi)	23	23	23	23	23
Retail Duty Paid	209	230	256	282	308
Food & Beverages	181	199	221	244	267
Lounge Income	117	129	143	158	173
Others	38	40	42	45	47
Total	**751**	**823**	**901**	**979**	**1,066**

<u>Proposal by the Authority:</u>

- ***<u>Flight Kitchen, F&B, Lounge Income and Others:</u>***

10.2.21 The Authority noted that the concession for Flight Kitchen was awarded to multiple parties viz. TAJ SATS Catering Limited, Narangs International Hotels Private Limited and Oberoi Flight Services with revenue share varying between 13% and 14% of the gross revenue.

10.2.22 The Authority noted that the major concessionaire for F&B is Travel Food Services with revenue share at the rate of 23.5% of the gross revenue.

10.2.23 The Authority noted that the concessions for lounge access was awarded to multiple parties for different locations with revenue share varying between 15% and 24% of the gross revenue.

10.2.24 The Authority's analysis of the Contribution per passenger towards revenue from the above-mentioned heads for the Fourth Control Period as submitted by DIAL is provided below:

Table 297: Contribution per Pax towards Passenger Traffic related revenue as submitted by DIAL for the Fourth Control Period

FY ending March 31 (Contribution per Pax in Rs.)	2025	2026	2027	2028	2029	5-Year CAGR (FY 2024-29)
Flight Kitchen	11.1	11.6	11.6	11.6	12.2	**2.0%**
Y-o-Y Increase %	*0%*	*5%*	*0%*	*0%*	*5%*	
F&B	23.3	24.4	25.5	26.7	27.9	**4.6%**
Y-o-Y Increase %	*5%*	*5%*	*5%*	*5%*	*5%*	
Lounge Income	15.1	15.8	16.5	17.3	18.1	**4.6%**
Y-o-Y Increase %	*5%*	*5%*	*5%*	*5%*	*5%*	
Others	4.9	4.9	4.9	4.9	4.9	**0%**

10.2.25 The Authority's analysis of the Contribution per passenger towards revenue from the above-mentioned heads over the last five years is provided below:

Table 298: Past CAGR for Contribution per Pax towards Passenger Traffic Related Revenue

FY ending March 31 (Contribution per Pax in Rs.)	2019	2020	2021	2022	2023	2024	5-Year CAGR (FY 2019-24)
Flight Kitchen	9.3	7.6	6.9	7.7	9.4	11.1	**3.5%**
F&B	15.2	16.3	12.7	19.0	21.8	22.3	**7.9%**
Lounge Income	6.6	7.7	8.4	9.0	10.8	14.4	**16.9%**
Others	3.2	2.4	1.9	2.6	3.5	4.9	**8.7%**

10.2.26 The Authority noted that, as can be seen from the table above, the Y-o-Y increase in Contribution per Pax considered by DIAL in the Fourth Control Period is considerably lower than the past five-year CAGR.

10.2.27 The Authority formed the view that the past five-year growth rate should be sustainable in the Fourth Control Period. The Authority is of the view that there was no strong reason to consider any moderation in growth rate as some of these revenue items in the past had grown independent of the Pax traffic growth rate. The Authority hence proposes to consider the past five-year CAGR as the expected growth rate for the above-mentioned revenue streams in the Fourth Control Period.

DIAL's Response:

Lounge Income:

The Authority has considered the historic growth of 16.9% (contribution per passenger) which is not going to sustain as that growth in the past has come due to revamping of old lounges at T3 which has resulted in higher usage and yield in comparison with other terminals. Increase due to T3 has already come in FY23 and FY24 and with the increase in PAX, penetration is going to decrease due to limited space at the Lounges. Hence, the CAGR considers this aberrations which will not continue in the future. Furthermore, following factors are required to be considered by the Authority which primarily results in moderate growth of Lounges for the future period:

- The complimentary lounge access being provided by the card partners Visa, Mastercard, Rupay, Diners Club, American Express etc., are being gradually reduced by these partners and thus no. of passengers eligible for using the complimentary lounge would decrease drastically.

- The sudden spike of lounge income contribution is only seen in the FY 23 & FY 24 which is majorly attributable to revamp of the lounges and re-opening of the lounges in terminal 1 which was not operational during the Covid Pandemic. Thus, the growth rates are not organic in nature and dependent on various changes to the lounge structure and closure / re-opening of the lounge facilities.

Thus, we request the Authority to consider the passenger growth and inflationary increase of yield by 4.6% per annum as submitted by DIAL.

Duty Free

DIAL has submitted below revenues for passenger related revenue

INR in Crores

Particulars	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Duty Free License Fees	727	797	879	962	1,047

Proposal by Authority:

Table 304: Past CAGR of Contribution per international Pax towards revenue from Duty Free related services

FY ending March 31 (Contribution per Intl. Pax in Rs.)	2019	2020	2021	2022	2023	2024	5-Year CAGR (FY 2019-24)
Duty Free Related Services	240	263	279	325	324	329	**6.4%**

10.2.39 The Authority noted that DIAL has considered a marginally lower growth rate viz-a-viz the past 5-year CAGR.

10.2.40 The Authority is of the view that the past 5-year CAGR should be the sustainable and proposes to consider the past five-year CAGR as the expected growth rate for this revenue stream in the Fourth Control Period.

DIAL's Response:

In addition to the submission of the DIAL in the MYTP, we hereby submit further that the increase in international PAX is benefitting DIAL, since the total duty-free area in arrivals is not increasing and thus leads to decrease in overall penetration and hence lower income per passenger. Hence, past growth of 6.4% will not sustain in future years due to decreased penetration.

Thus, we request the Authority to consider the inflationary increase of 4.6% instead of 6.4% as proposed in the Consultation Paper.

Contract Linked Revenue

DIAL has submitted below revenues for contract linked revenues:

INR in Crores

Particulars	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Advertisement License Fee	203	225	225	225	225
Forex	77	81	85	89	93
Land & Space	565	607	653	702	754
Common Area Management	27	29	31	33	35
Transit Hotel	6	6	7	7	7
Airport Service Charges	2	2	2	2	2
Bank/ATM	9	9	9	9	9
Telecom	5	5	5	5	5
Misc- contract linked	2	2	2	2	2
IT Concession	35	37	39	41	43
	930	**1,003**	**1,057**	**1,115**	**1,176**

Proposal by Authority:

- ***Advertisement:***

  10.2.46 The Authority also noted that the terminal area has increased considerably after Phase 3A Expansion and it is expected to increase further in FY 2028 due to proposed addition of Pier E. The Authority is of the view that the advertisement revenue should increase in consistency with the increase in terminal area. Accordingly, in addition to factoring in increase in revenue share in FY 2026, the Authority also proposes to consider terminal area expansion factor as well in projecting the revenue from advertisements.

  10.2.47 Based on the above, the Authority proposes to project Advertisement revenue based on one-time increase of 10.91% in FY 2026 along with adjusted terminal area expansion factor of 14.53% and 4.54% in FY 2025 and FY 2028 respectively.

- ***Land & Space:***

  10.2.49 The Authority also noted that the terminal area has increased considerably after Phase 3A Expansion and it is expected to increase further in FY 2028 due to construction of Pier E. The Authority formed the view that the revenue under this head is highly correlated to the increase in terminal area. Accordingly, in addition to factoring in contractual increase of 7.5% YoY, the Authority also proposes to consider terminal area expansion factor as well in projecting the revenue from land leases and spaces.

  10.2.50 Based on the above, the Authority proposes to project revenue from land leases and spaces based on YoY increase of 7.5% along with adjusted terminal area expansion factor of 14.53% and 4.54% in FY 2025 and FY 2028 respectively.

DIAL's response:

The Authority has considered the increase in the area for Advertisement, Land & Space rentals & Common Area Maintenance. DIAL's response is as follows:

- ***Advertisement:***

  DIAL in its submission has categorically submitted that IGI is a matured asset and has reached maximum capacity both in terms of advertisement space and the pricing is also the highest in the Delhi NCR. Further, there is an increase trend of digital advertising in comparison to the traditional hoardings and its impact.

  In addition to our earlier submission, we further submitted that the increase in revenue share is effective only for a period of 9 months in FY26 since the revenue share increase is not effective from beginning of the year. Further, the terminal area increase is only partly linked with Advertisement revenue as it is driven through passenger facing area both in terminal and landside.

  Landside area is not increasing with T1, and passengers flow at T2 is gradually reducing for the proposed refurbishments. Also, international yield per site is higher compared to domestic and the current international area i.e., Peir A & Pier B are not increased in its size. Space increase in T1 and Pier E is already being considered in PAX growth. Hence, we have taken equivalent growth to domestic pax growth.

  Thus, the economies of scale cannot be arrived in the advertisement business based on the area available, if the DIAL wishes to occupy the majority of the slots then the prices would be required to reduced largely and this eventually impact the revenue accrued to DIAL.

  Thus, we request the Authority, not to consider the terminal increase towards this item.

- ***Land & Space & Common Area Management:***

  Land & Space consists of 2 types of rental spaces i.e.
  1. Land revenue consists of rentals coming through airside and cityside leased land, contributes around 70% of total revenue
  2. Space revenue coming through leased spaces within terminals

  The Authority, has to consider that the increase in terminal area will not lead to any kind of increase in land revenues, contractually obligated growth rates are required to be considered for the land revenue.

  In the case of space revenue it is pertinent to note that the T2 will be closed for 1st half and in 2nd half, limited operations will be there. Additionally, the construction of Pier E will not increase any incremental office or rental spaces, thus the same will not be yield any additional revenue to DIAL.

  Thus, we request the Authority to consider the growth towards terminal increase as 7% additional revenue (50% of 14.53%) in FY 2025 and in the case of FY 2028 no additional increase shall be considered, since it will not lead to any kind of rental growth to DIAL.

DIAL Submission for Cargo:

DIAL has considered the independent study conducted by the ICF to assess the traffic at IGI Airport. Accordingly, it is requested to the Authority to considered Cargo Revenue linked with the cargo traffic projection. Further, DIAL has considered inflationary increase in the rate of Cargo concessionaires by 5% in FY 25-26 and FY 28-29.

INR in Crores

Particulars	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29
Cargo Revenue	428	466	478	491	529
Total	**3,070**	**3,341**	**3,580**	**3,822**	**4,112**

Proposal by the Authority:

10.2.74 The Authority's analysis of Contribution per Ton of Cargo towards revenue from Cargo under various heads over the last five years is provided below:

Table 310: Past CAGR of Contribution per ton of cargo towards revenue from Cargo

FY ending March 31 (Contribution per Ton in Rs.)	2019	2020	2021	2022	2023	2024	5-Year CAGR (FY 2019-24)
Export Income (Rs. per Ton of Intl. Cargo)	170	216	348	287	327	379	**17.4%**
Export Cargo Screening (Rs. per Ton of Intl. Cargo)	281	356	317	371	461	515	**12.9%**
Domestic Cargo Screening (Rs. per Ton of Dom. Cargo)	76	96	126	191	205	154	**15.0%**
Concession Fee - Brownfield Cargo (Rs. per Ton)	1,504	1,790	2,731	2,116	2,148	2,356	**9.4%**
Concession Fee - Greenfield Cargo (Rs. per Ton)	432	636	864	974	1,040	1,042	**19.3%**

10.2.75 The Authority noted that the growth rates in the contribution per ton of cargo projected by DIAL against these heads are considerably lower than the past five-year CAGR pertaining to the Third Control Period. However, the Authority also notes the fact that the past five-year CAGR against these heads was exceptionally high and may be difficult for DIAL to sustain especially considering the upcoming international airport in Noida which is also planned to be developed as a cargo hub.

10.2.76 Considering the above, the Authority proposes to consider annual growth rate of 10% on the contribution per ton of cargo against respective heads.

DIAL has considered the independent study conducted by the ICF to assess the traffic at IGI Airport. Accordingly, it is requested to the Authority to considered Cargo Revenue linked with the cargo

DIAL's response:

DIAL has projected the Cargo related revenue based on the traffic projections of the ICF in this regard and inflationary increase of the 5% of tariff in two years out of 5 years. However, the Authority has considered an increase of the tariff by 10% every year. The Authority, has proposed these increases purely based on the CAGR of the past 5 years, which is very difficult to sustain and following are the reasons attributable for the same:

- The yield referred by the Authority is higher for the past period due to pandemic conditions and supply chain disruptions through sea routes. Thus, many organisations resorted for air cargo during this period;
- The IGI Airport will face stiff competition from the Jewar Airport in terms of Cargo, thus, to remain highly competitive the Cargo entities are projected to offer highly competitive pricing to sustain the existing cargo volumes.
- Furthermore, the Authority can take note of the fact that the growth in the last 3 years of the Cargo yield is very minimal and not at 10%.

Based on the above facts, the Authority is requested to re-consider the growth factors towards cargo revenue and provide for the inflationary increase of 4.9% per annum instead of 10% per annum.

Other Income

Proposal by the Authority:

10.2.78 The Authority noted that DIAL has not projected Other Income for the Fourth Control Period. However, in the Tariff Order for the Third Control Period, it was decided to consider Other Income (dividend income, investment income, interest income etc.) earned during the Third Control Period for cross-subsidization of revenue from Revenue Share Assets at the time of true up during tariff determination of the Fourth Control Period. The Authority therefore proposes to include dividend income for cross-subsidy at the time of true up during the Fourth Control Period.

10.2.79 The Authority in the Tariff Order for the Third Control Period also decided that the Other Income earned from aeronautical services such as dividends from fuel farm JV shall be treated as aeronautical revenues.

10.2.80 The Authority noted that the average Other Income earned by DIAL in the Third Control Period works out to Rs. 227.72 Cr (after excluding dividend income from Delhi Aviation Fuel Facility Private Limited which provides fuel farm services as the same is treated as Aeronautical Revenue). The Authority accordingly proposes to consider Other Income of Rs. 227.72 Cr for FY 2025 which shall be escalated at inflation rate of 4.6% p.a. till FY 2029.

DIAL's Response:

The Authority, in the previous three control period orders (1st, 2nd & 3rd) has never projected and in fact cannot project the other income for the future control periods, since it is contingent and completely depends on the cashflow availability of the DIAL and profit distribution decisions of JV's. The summary of the Authority's decision in the previous control periods are as follows:

Extract of the Second Control Period tariff order (Order No. 40/2015-16) is as follows:

Para 19.37. *……**these items are intermittent in nature and have no consistent driver** on which this income can be projected. Thus, the Authority has projected this subhead at 'nil' value for the second Control Period . However, the Authority has decided to true up the "Other incomes" based on the actual values realized by DIAL during the second Control Period at the time of tariff determination for the third Control Period.*

<u>Extract of the Third Control Period tariff order (Order No. 57/2020-21) is as follows:</u>

Para 7.5.13. *….**For FY 21 to FY 24**, Authority, consistent with its proposal for Other Income in Consultation Paper No. 15/2020-21, has decided to consider **Other Income as nil** which would be trued up based on actuals in the next Control Period.*

It is pertinent to note that the Authority has maintained *status quo* with respect to exclusion of the other income in revenue from Revenue Share Assets. This matter has been deal at length in the Para 1.8 of the Consultation Paper No. 07/2024-25 by the Authority and the primary reliance has been placed by the Authority that the matter is under sub judice and pending judgement by the Hon'ble Supreme Court of India.

In light of the above facts, when the matter is under sub judice and the Authority has maintained the *status quo* on the treatment of the other income, the Authority should adhere to the consistency principle in line with its decision towards projection of the Other Income as referred above.

Bereft of the above, DIAL is having continuously cash losses and the incomes projected by the Authority did not consider this primary fact. The other income of the DIAL can be majorly bifurcated into following heads:

- **Treasury Income** : Treasury Income includes, the incomes pertaining to the fixed deposits in the banks, investment of the temporary funds in the mutual funds etc., Since, the DIAL is expected to incur cash losses, it is very unlikely that the income is recurring from these activities.

- **Dividend Income** : Dividend Income is earned from its investments in the Joint Ventures, and the major share of the dividend income is earned from Delhi Duty Free Services. The concession for Duty Free with Delhi Duty Free Services is bound to expire in Jul'25. Thus, divided income will not accrue from this entity.

Thus, the projection of the other income considering the average other income of past years and increasing it by inflation doesn't validate the basic principles of the projection.

In light of the above facts, we request the Authority to be consistent with the approach in determination of tariff and do not project the other income as followed by it in the 1st , 2nd & 3rd control period order for DIAL.

6. Viability

In accordance with the Section 13 (1)(i)(v) of AERA Act, while determining the tariff, the Authority is required to take care and ensure economic and viable operation of major airports. We request the Authority, to consider the economic viability of the DIAL before finalising the Target Revenue and fixation of the Aeronautical Charges.