Shri S K G Rahate,
Chairperson,
Airports Economic Regulatory Authority,
AERA Building, Administrative Complex,
Safdarjung Airport, New Delhi- 110 003.

Subject: AERA CP. No. 07/2024-25 dated 31st January 2024 on determination of Aeronautical Tariff for Indira Gandhi International Airport, Delhi for the Fourth Control Period (01.04.2024 – 31.03.2029)

Dear Sir,

At the outset, we would like to thank AERA for their efforts in rationalizing airport tariffs across India.

IndiGo is well aware that growth in infrastructure is critical for expansion of the airline industry in India and that such infrastructure growth requires continued investments by airport companies. IndiGo also recognizes the role that AERA has played in the development of infrastructure by way of development of tariff fixation policies and successive tariff determination orders, consultations, etc. and thanks AERA for the same.

As regards the DIAL CP, we fully support AERA's proposals on validation and rationalization of projected RAB additions, O&M expenses, tax expense, non-aero revenue share and true-up of previous control periods, including those dependent on / awaiting the outcome of the ongoing litigation before the Hon'ble Supreme Court.

Further, we have the following suggestions with regard to certain specific areas of the tariff fixation, as detailed below:

1. **Debt – Equity Ratio and Cost of Equity and Debt**

   We note that DIAL has proposed a debt – equity ratio of 48% : 52%. It is also seen that the cost of equity is considered as 15.41%, while that of debt is 10.15%. We also note that, in para 6.2.15 of the CP, DIAL has stated that majority of the capex is planned to be funded by debt : equity ratio of 70% : 30%.

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We wish to submit the following comparison with other private airports for AERAs consideration:

a. We wish to draw reference to CP No. 26/2023-24 dated 11 March 2024, where Jaipur International Airport Limited have taken cost of equity as 15.18% and cost of debt at 9%.

b. In case of Rajiv Gandhi International Airport, Hyderabad, for the third control period of FY21-22 to FY25-26, the cost of equity was considered at 14% and cost of debt at 9%.

c. Taken together – cost of equity as 15.18% & cost of debt as 9%, and debt-equity ratio of 70%: 30%, the weighted cost of capital would work out to 10.85%, leading to a reduction in Return on RAB by around Rs. 1,380 crores.

2. **Commercial Property Development**

We note that DIAL has been earning revenue on account of commercial property development which was Rs. 802 crores during FY24. We request AERA to kindly factor in future revenues on this account as part of non-aeronautical revenue, if not already done, as may be applicable / appropriate under the various agreements, rules, guidelines etc. that apply to such tariff fixation.

We look forward to AERA's favorable consideration of our above submissions.

With best regards,

Sincerely,

Rajan Malhotra
Vice President- Aeropolitical & Industry Affairs

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