Feedback and Suggestions on Consultation Paper No. 07/2025-26 regarding Aeronautical Tariff for Noida International Airport (DXN) for the First Control Period (01.04.2026 – 31.03.2031)

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Fri, 20 Mar 2026 1:19:05 PM +0530

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Respected Sir/Madam,

I am writing to submit my comments as a prospective passenger and financial professional regarding the proposed aeronautical tariffs for Noida International Airport (DXN). While the Authority's diligent effort to balance concessionaire viability with passenger affordability—evidenced by the reduction of the Aggregate Revenue Requirement (ARR) to ₹6,855 crore—is commendable, a rigorous review of the financial models suggests ample room for a further downward revision of the ARR and the resultant User Development Fee (UDF).

Ensuring highly competitive tariffs is vital for a greenfield airport aiming to capture spillover traffic in the NCR. My observations requesting a downward revision are grounded strictly in the facts presented in the proposal and standard financial reporting principles:

1. Strict Disallowance of Pre-COD Losses from the RAB (Ind AS 16 & 38) The Authority's proposal to entirely exclude pre-COD losses from the tariff determination is structurally sound. Under the core principles of Ind AS 16 (Property, Plant and Equipment) and Ind AS 38 (Intangible Assets), costs incurred before an asset is in the location and condition necessary for it to be capable of operating in the manner intended by management cannot be capitalized or passed onto the consumer. Passengers utilizing the facility post-April 1, 2026, must not be forced to amortize the concessionaire's pre-operative financial burdens. I strongly urge AERA to maintain this stance without concession, ensuring the Regulatory Asset Base (RAB) is not artificially inflated.

2. Strict Application of Ind AS 23 on Borrowing Costs In tandem with the treatment of pre-COD losses, the cut-off date for the capitalization of borrowing costs requires intense regulatory scrutiny. Under Ind AS 23, capitalization must cease when substantially all activities necessary to prepare the qualifying asset for its intended use or sale are complete. Any delays in operationalizing specific terminal modules or non-critical infrastructure post the revised COD of April 1, 2026, should not be used as a loophole to continue capitalizing interest into the RAB. These costs must be expensed in the Statement of Profit and Loss and explicitly excluded from the regulatory asset base.

3. Treatment of Security Deposits and Lease Income (Ind AS 109 & 116) For Non-Aeronautical Revenues (NAR), the concessionaire will inevitably enter into extensive leasing arrangements for retail, F&B, and MRO spaces. The Authority must ensure that the notional interest/finance income on interest-free or low-interest security deposits received from these sub-concessionaires—measured at fair value under Ind AS 109—is accurately captured and factored into the 30% cross-subsidy pool under the Hybrid Till. Additionally, straight-lining of lease rentals under Ind AS 116 should be critically reviewed so that early-stage rent concessions or escalations are normalized, preventing an artificial depression of NAR in the initial years of the Control Period.

4. Rationalization of the Cost of Equity (CoE) While the Authority rightly rejected the inclusion of idiosyncratic risk and illiquidity premiums, the proposed Fair Rate of Return (FRoR) of 12.69%, driven by a 15.18% Cost of Equity, remains overly generous for an infrastructure asset operating in a high-demand, capacity-constrained catchment area like the NCR. Standard CAPM benchmarking should more heavily weight the quasi-monopolistic nature of this asset. A downward revision of the CoE closer to 13.5%–14% would significantly compress the ARR while still providing a risk-adjusted equity IRR that satisfies project financiers.

5. Tighter Benchmarking for O&M Escalations The Authority's intervention to cap baseline payroll expenses at ₹0.21 crore per employee for FY26 and strictly assess utility load requirements is a necessary step. However, applying a fixed 6% annual escalation for payroll and an 8% Y-o-Y growth for power consumption builds in unnecessary slack. O&M escalations should be strictly pegged to verifiable efficiency targets and throughput rather than blanket inflationary adjustments, particularly in the initial years when the terminal will likely operate below its peak design capacity. The concessionaire must be incentivized to absorb operational inefficiencies, not pass them through to the ARR.

6. Maximizing Non-Aeronautical Revenue (NAR) Yields The upward adjustments to Income Per Passenger (IPP) metrics for retail and F&B are welcome. However, under the 30% Hybrid Till mechanism, the cross-subsidization impact relies entirely on aggressive NAR realization. Given the premium positioning of the DXN project, retail

revenue estimates should not just be inflated by 50% for the first year, but actively benchmarked against the mature yields of IGIA (adjusted for passenger volume). Tighter enforcement and higher baseline expectations for commercial space rentals, advertising, and MRO land monetization will directly offset the aeronautical ARR.

7. Aggressive Traffic Forecasting Over Conservative Baselines Project finance models for greenfield airports typically lean toward highly conservative traffic projections to justify higher initial unit yields. Given the severe capacity constraints at IGIA and the aggressive route expansion of domestic carriers, DXN's traffic elasticity will be exceptionally high. The Authority should stress-test YIAPL's baseline traffic projections and mandate a higher throughput assumption. A higher denominator in the tariff formulation model is the most direct mechanism to protect passenger interests and suppress the final UDF.

Conclusion The current proposed ARR, while a significant reduction from YIAPL's submission, still shields the concessionaire from standard early-stage volume risks at the expense of the passenger. I request the Authority to further tighten the WACC assumptions, strictly enforce the Ind AS accounting treatments regarding capitalization and fair value measurements, and mandate higher traffic and NAR targets. This will ensure the final rate card falls well below the initially targeted ₹1,200 UDF, making DXN a truly accessible and competitive transit hub for the public.

Thank you for your time, transparency, and consideration of these facts.

Regards,
Sumedh