



BPCL - KIAL Fuel Farm Private Limited

Reg. Office: C/o Kannur International Airport, Karaperavoor (P.O.) Mattannur
Dist. Kannur - 670702, Kerala. CIN : U23200KL2015PTC038487
GSTIN / UIN : 32AAGCB3129A1ZG

Ref: BKFFPL/CL/2026-27/02

21st April 2026

The Chairman,
Airports Economic Regulatory Authority of India,
AERA Building, Safdarjung Airport,
New Delhi.

Dear Sir,

Sub: Response to Stakeholder comments on Consultation Paper No. 09/ 2025-26

We thank the Authority for issuance of the subject Consultation Paper.

We are enclosing herewith our responses to the comments received from stakeholders. We request the Authority to consider our responses favorably and issue the Order. This is imperative for the sustenance and operations of the Fuel Farm at Kannur International Airport.

We remain at your disposal to clarify any queries that you may have.

Thanking you,
Yours truly,

For M/S BPCL-KIAL FUEL FARM PRIVATE LIMITED

Martin Jose Emmanuel
Chief Financial Officer



Stakeholder Comments and Counter Comments w.r.t CP.No 09/2025-26

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Sr. No.	Particulars (Topics)	Stakeholder Name	Stakeholders Comments	Comments by BKFFPL
1	Accumulated Losses.	Bharat Petroleum Corporation Ltd.	The JVC has been incurring loss since start of commercial operations due to lower throughput than what had been projected by KIAL.	<p>BKFFPL submits that the Company has incurred accumulated losses since commencement of operations, primarily attributable to lower-than-projected fuel throughput. As also highlighted by BPCL, these losses are a direct outcome of structural demand constraints rather than operational inefficiencies.</p> <p>As of 31st March 2026, the accumulated losses remain significant (Rs. 5.19 Crs, unaudited) and continue to impact the financial sustainability of the operations. In a cost-plus regulatory framework, such under-recovery warrants appropriate consideration to ensure full recovery of prudently incurred costs over the control period.</p>
2	Lower Traffic	Bharat Petroleum Corporation Ltd	Kannur International Airport continues to exhibit structural characteristics of a Low-volume airport, with limited airline base, high dependence on point-to-point international operations, and absence of hub or transfer traffic permissions from Government. The relatively lower fuel throughput at the airport is not indicative of inefficiency on part of the fuel farm operator but is a direct outcome of the airport's inherent traffic and market structure, in such circumstances, per-unit fuel infrastructure tariffs are naturally going to be higher, and comparison with metro or hub airports is neither appropriate nor equitable.	<p>BKFFPL concurs with the submission that Kannur Airport exhibits structural characteristics of a low-volume airport, including limited airline base, absence of hub traffic, and dependence on point-to-point international operations.</p> <p>In this context, BKFFPL reiterates that:</p> <ul style="list-style-type: none"> • Fuel throughput is structurally constrained • Per-unit costs are inherently



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				<ul style="list-style-type: none"> • higher due to lower volumes • Benchmarking with metro or hub airports is not appropriate <p>As detailed in our response to the Consultation Paper, the Authority's assumptions on throughput do not adequately reflect these structural realities.</p>
3	Reduction in Tariff	Bharat Petroleum Corporation Ltd	It is further submitted that the sharp reduction in tariff (around 30%) as proposed in the Consultation Paper effectively shifts the entire volume and traffic risk onto the fuel Infrastructure service provider.	<p>BKFFPL submits that the proposed 30% reduction in tariff effectively transfers volume and traffic risk entirely onto the fuel farm operator. Under the cost-plus regulatory framework, the operator is expected to recover:</p> <ul style="list-style-type: none"> • Prudently incurred capital costs • Efficient operating expenditure <p>However, demand-side risks such as:</p> <ul style="list-style-type: none"> • Traffic variability • Airline tankering behavior • External geopolitical factors <p>are beyond the control of the operator and should not be embedded in tariff determination. Accordingly, a tariff based on optimistic volume assumptions without adequate safeguards is inconsistent with established</p>



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				regulatory principles..
4	Fuel Throughput Volumes	Bharat Petroleum Corporation Ltd	Moreover, the proposed tariff reduction is not supported by firm or binding fuel throughput commitments from airlines or oil marketing companies. In the absence of assured uplift volumes or minimum guaranteed throughput, tariff moderation becomes speculative and exposes the operator to significant downside risk, despite continued obligation to maintain infrastructure, safety standards, and service quality. A tariff framework based on optimistic volume assumptions without corresponding safeguards undermines long-term sustainability.	BKFFPL submits that there are no firm or binding commitments from airlines or oil marketing companies regarding fuel uplift at Kannur Airport. As elaborated in our Consultation Paper response: Fuel uplift decisions are driven by landed fuel cost competitiveness Airlines actively engage in tankering based on price differentials Throughput is therefore not directly proportional to traffic growth In the absence of minimum guaranteed volumes, downward tariff revision based on assumed growth exposes the operator to significant under-recovery risk. Therefore, BKFFPL requests the Authority to consider the fuel throughout volumes as submitted in the response to the consultation paper shared on _13/04/2026.
5	True-Up	Bharat Petroleum Corporation Ltd	It is also submitted that premature tariff compression is not warranted especially in the initial years when BKFFPL is already having carried forward losses amounting to Rs.6,56.82 Lakhs as on 31 March, 2025, as the Authority already retains adequate safeguards through the True-Up mechanism to address any over-recovery in subsequent periods. Retention of the existing tariff during the control	BKFFPL concurs that the True-Up mechanism provides an adequate regulatory safeguard to address any potential over-recovery in subsequent periods. In this context, it is submitted that: <ul style="list-style-type: none"> Premature tariff reduction is



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			<p>period does not prejudice user interests, since any excess recovery, if it materialises due to higher-than-projected volumes, can be efficiently neutralised through True-Up in accordance with established AERA practice.</p>	<p>not warranted</p> <ul style="list-style-type: none"> • Consideration of the tariff submitted by BKFFPL, or at a minimum, retention of the existing tariff as suggested by BPCL, does not prejudice user interests. • Any excess recovery, if arising, can be neutralised through True-Up. <p>This approach ensures alignment with cost-plus principles while maintaining financial viability of the operator.</p>
6	Fuel Throughput & Traffic	Bharat Petroleum Corporation Ltd	<p>Also, it may be noted that an improvement in air traffic does not necessarily result in a proportionate increase in fuel throughput. The actual fuel uplift decisions of airlines are driven by the overall landed cost competitiveness of fuel at Kannur, including transportation and logistics cost, supply-chain economics, and comparison with nearby or source airports from where aircraft may alternatively uplift fuel. These commercial factors materially influence airline tankering and uplift decisions and therefore may limit the extent to which traffic growth translates into equivalent fuel throughput growth.</p>	<p>BKFFPL reiterates that fuel throughput is not directly correlated with air traffic growth. As detailed in our Consultation Paper submission, airline fuel uplift decisions depend on:</p> <ul style="list-style-type: none"> • Comparative fuel prices across airports • Logistics and supply chain economics • Tankering strategies <p>Accordingly, the assumption of a linear relationship between traffic growth and fuel throughput is not appropriate and may lead to overestimation of volumes.</p>



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7	Absence of Point of Call Status to KIAL	Bharat Petroleum Corporation Ltd	Also, it is worthwhile to mention that since the Ministry of Civil Aviation is not permitting foreign carriers to operate from Kannur Airport, this scenario has resulted in limiting the growth potential of the airport as well as the Fuel Farm to recover its CAPEX and operating costs due to lower volumes. Further, owing to capacity constraints, Indian carriers are prioritizing operations in Tier I cities, thereby limiting their presence in airports such as Kannur. At present, only IndiGo and Air India Express operate from Kannur Airport, while other domestic carriers have not commenced operations. This has further restricted the growth of the Fuel Farm in terms of fuel uplift. Further, owing to capacity constraints, Indian carriers are prioritizing operations in Tier I cities, thereby limiting their presence in airports such as Kannur. At present, only IndiGo and Air India Express operate from Kannur Airport, while other domestic carriers have not commenced operations. This has further restricted the growth of the Fuel Farm in terms of fuel uplift.	BKFFPL concur with BPCL's assertion that the absence of Point of Call (PoC) status for Kannur Airport significantly constrains the entry of foreign carriers, thereby limiting traffic growth potential. Further: <ul style="list-style-type: none"> • Domestic carriers are prioritizing operations in Tier I airports • Limited airline presence (currently IndiGo and Air India Express) restricts fuel demand growth. <p>These structural constraints have a direct bearing on fuel throughput and must be factored into tariff determination.</p>
8	Regional connectivity and infrastructure development.		A sharp downward revision in tariff at this stage may also create an adverse regulatory precedent for emerging and regional airports, potentially discouraging investment in open-access fuel infrastructure projects where capital expenditure is incurred upfront but traffic ramp-up remains uncertain over extended periods. Such outcomes would be contrary to broader sectoral objectives of regional connectivity and infrastructure development.	BKFFPL agrees with the BPCL submission that a sharp downward revision in tariff at this stage may set an adverse regulatory precedent for emerging and regional airports. Fuel infrastructure projects involve: <ul style="list-style-type: none"> • High upfront capital investment • Long gestation periods • Uncertain traffic ramp-up <p>In such scenarios, tariff stability is critical to:</p>



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				<ul style="list-style-type: none"> • Ensure recovery of capital • Maintain investor confidence • Support broader objectives of regional connectivity <p>A tariff framework that does not adequately account for these factors may discourage future investment in similar infrastructure.</p>

For BPCL-KIAL Fuel Farm Private Limited



**Martin Jose Emmanuel
Chief Financial Officer**

