adani

20th July 2026

Shri Ram Krishan, Director (P&S),
Airports Economic Regulatory Authority of India (AERA),
Udaan Bhawan,
Safdarjung Airport,
New Delhi – 110003

Respected Sir,

Subject: Response to Consultation Paper issued by AERA for 4th Control Period
Reference: Consultation Paper No 02/2026-27 published by AERA on 19th June 2026

This bears reference to the above-mentioned Consultation Paper issued by AERA in the matter of determination of aeronautical tariff for Rajiv Gandhi International Airport, Hyderabad (HYD) for the fourth control period (01.04.2026 – 31.03.2031) wherein written comments were sought from the stakeholders.

In respect of the same, for your kind consideration please find below the submission of Adani Airports. The comments are similar to our recent submission in respect of Consultation Paper for Kempegowda International Airport, Bengaluru (BLR) for the fourth control period.

1. **To remove minimum threshold for Non-Aeronautical Revenues (NAR)**:

   (Ref: Para 11.3.2 "To true up NAR for the current control period, at the time of determination of tariff for the next control, subject to minimum threshold as proposed by the Authority in Table 315.")

   The proposal to stipulate a minimum threshold for Non-Aeronautical Revenues needs to be reconsidered.

   NAR is not comparable to a contracted or assured revenue source. It is dependent on several uncontrollable factors such as passenger spending patterns, retail appetite, airline requirements, brand participation, market cycles, footfall mix and overall commercial sentiment. These factors may materially vary over control periods.

   Further, there is no commercial rationale for an Airport Operator to understate or underperform on NAR. The Airport Operator has a direct incentive to maximise such revenue, since the balance amount after mandatory cross-subsidisation of aeronautical tariffs and revenue share to the Concessioning Authority is retained by it. Therefore, any shortfall in NAR is more likely to reflect market realities rather than lack of effort.

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Fixing a minimum threshold would effectively shift risk entirely to the Airport Operator. This could lead to an unfair situation where the Airport Operator is denied legitimate recovery merely because actual commercial revenues fall below a normative number, even though such underperformance may be beyond its reasonable control.

A true-up/down mechanism must operate symmetrically. Limiting this only to upside deviations defeats the very purpose, which is to align regulatory assumptions with actual outcomes and correct both over-estimation and under-estimation.

Such an approach also does not flow from the hybrid-till framework. Hybrid till requires sharing of actual non-aeronautical revenues for tariff determination; it does not require the Airport Operator to ensure a minimum non-aeronautical contribution.

As per the Hon'ble TDSAT's Judgement dated 11th September 2025 pertaining to Mopa Airport, Goa: "*Para 230. We hereby direct AERA the true-up exercise for the next Control Period shall be based upon actual non-aeronautical revenue irrespective of the fact that whether it exceeds or not, the minimum threshold of Rs.509.47 Crores, as fixed by AERA towards non-aeronautical revenue.*"

In light of the above, we request the Authority to accept Non-Aeronautical Revenues based on actuals and remove the minimum threshold for the same.

2. To retain the current regulatory treatment for recovery of capital expenditure:

(Ref: Para 14.3 "Incremental ARR Approach on User Pay Principle for identified High-Capex Projects")

The proposal to defer consideration of incremental ARR in respect of nearly INR 9,900 crore of capital expenditure, on the basis of the "pay as you use" principle, may not be suitable in the context of large-scale airport capacity expansion.

Hyderabad Airport's passenger handling requirement is expected to increase substantially — from the existing capacity of around 34 million passengers to nearly 67 million passengers. Such expansion is therefore a necessary pre-condition for sustaining service levels, operational efficiency and future demand.

For capital projects of this scale and nature, the question of cost recovery cannot be viewed through the narrow lens of one Control Period alone. Large airport expansion works create capacity that will be used over several decades. Therefore, to judge recovery based on immediate utilisation may not reflect the true nature of airport infrastructure. This concern may be more relevant for routine maintenance, refurbishment or replacement works.

Further, the present tariff framework already contains a natural balancing mechanism that recovery should move in line with usage. Tariffs are determined over the Control Period, and recovery increases progressively as assets are added to the Regulatory Asset Base supported by higher traffic throughput. In other words, as more passengers begin using the expanded facilities, a larger part of the cost recovery also takes place.

Moreover, timely delivery of these projects is not merely a compliance obligation for the Airport Operator — it is, in fact, self-enforcing. A Terminal that opens late, or an Apron or a Taxiway that is not ready in time chokes the airport's ability to absorb growth. The immediate consequences are tangible — congestion at peak hours, longer turnaround times, deteriorating passenger experience, forgone aeronautical revenue from movements that could not be accommodated, and lost non-aeronautical income from footfall that never materialised. The incentive to build on time is therefore already embedded in the Airport Operator's own economics and needs no additional regulatory prompting.

In view of the above, the Authority may consider retaining the current regulatory treatment for expansion-related capital expenditure, subject to the existing true-up/ true-down mechanism based on actual capitalization.

Thanking you,

Yous faithfully,

For and on behalf of Adani Airport Holdings Limited,

(Ashu Madan)
Authorized Signatory

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