Date : 3rd Aug'26
Ref : DAFFPL/AERA/IOSL-CP/01

To,

The Secretary,
Airports Economic Regulatory Authority of India,
3rd Floor, Udaan Bhavan,
Safdarjung Airport,
New Delhi - 110003

Dear Sir,

This is with reference to Consultation Paper (CP) No. 03/2026-27 dated 17 July 2026 regarding the determination of Fuel Infrastructure Charge for IndianOil Skytanking Private Limited (IOSPL) at Kempegowda International Airport (KIA), Bengaluru.

Delhi Aviation Fuel Facility Private Limited (DAFFPL), the concessionaire for the Fuel Farm at Indira Gandhi International Airport, Delhi, places on record its appreciation for AERA's comprehensive Consultation Paper and the opportunity extended to stakeholders to review, analyse, and submit their views.

We wish to offer our comments in reference to consultation paper as per below:

7. <u>OPERATION AND MAINTENANCE (O&M) EXPENDITURE FOR THE FOURTH CONTROL PERIOD:</u>

7.2.14 The Authority proposes to rationalize the Land Lease Rental in respect of IOSPL for the fourth control period to the tune of 25% of the applicable rates [i.e., from the land rental rate (as on 01.04.2025) of Rs. 525/Sqm/Month to Rs. 395/Sqm/Month], with a 5% annual increase therein.

DAFFPL comments:

We note that AERA has proposed to allow 75% of the land licence fee claimed by IOSPL for inclusion in Operating Expenditure (Opex) / Aggregate Revenue Requirement (ARR). In this regard, we respectfully submit that the levy of land licence fee on Fuel Farm/ITP ISPs is a well-established and prevalent practice across airports in India. Further, the land licence fee proposed by IOSPL appears to be broadly aligned with prevailing industry rate.

Any partial disallowance of the land licence fee may establish an undesirable precedent for future tariff determinations across the sector. Such treatment could adversely affect Fuel Infrastructure Service Providers nationwide.

It may also be noted that the land licence fee represents an actual and unavoidable contractual expenditure incurred by the IOSPL. Any portion thereof if not admitted for recovery through the regulatory framework would effectively result in a permanent financial loss.

Should the Authority nevertheless decide to disallow any part of the land licence fee, it is respectfully submitted that the airport operator must be correspondingly bound to levy land licence fee to the extent approved by AERA.

View above, the DAFFPL therefore requests the Authority to consider the land licence fee in its entirety, without any rationalisation, as the expenditure is unavoidable and arises directly from the mandatory contractual arrangement governing the operation of the fuel-farm facility.

9.2 Authority's Examination regarding Aggregate Revenue Requirement (ARR) for the Fourth Control Period:

9.2.1 (a) The Authority, proposes to consider an interest/return @ 5% per annum on the Dead Stock for IOSPL's fuel farm services at Bengaluru airport, as a separate line item in the ARR computation for the Fourth Control Period.

DAFFPL comments:

The Authority's proposal to allow interest/return at 5% per annum on Dead Stock, by treating it as a separate line item in the ARR, is noted. However, this approach is inconsistent with the Authority's established precedents wherein Dead Stock has been considered as part of the RAB, with no depreciation applied.

Further, we would like to submit that:

1. The procurement of the Dead Stock is essential for commissioning and operating the storage tank and Hydrant System for uninterrupted supply of ATF to Airport.
2. The exclusion of dead stock from the RAB, despite being a prerequisite investment for providing fuel-farm services, is not consistent with the AERA Tariff Determination Guidelines, 2011.
3. The FRoR framework is intended to fairly compensate regulated entities for capital investments made. Allowing only a nominal return of 5% on such considerable capital expenditure does not adequately compensate even the opportunity cost of funds.

View above, we request the Authority to consider Dead Stock in the same manner as other Plant & Machinery and allow return @ FRoR.

9.2.1 (b) The Authority proposes to consider Interest/Return on Security Deposit (SD) @ 5% p.a. (as against 15.05% proposed by IOSPL).

DAFFPL comments:

It is noted that IOSPL has furnished an interest-free, refundable Security Deposit (SD) to the Airport Operator pursuant to the land taken on lease for the provision of fuel-farm services. The

Security Deposit (SD) is furnished as a contractual obligation, and this practice is prevailing across airports in the country. Considerable amount in the form of SD gets blocked which cannot be used alternatively.

Since the SD has been funded entirely through equity, and the Company's cost of equity is 15.05%, allowing a return of merely 5% does not compensate for the significantly higher cost of capital incurred. Accordingly, restricting the return on such substantial locked-in capital to a nominal 5% does not reflect the true opportunity cost of funds.

View above, we request the Authority to consider an appropriate return on the SD, aligned with the source of funds used for its deployment i.e., a return at the Company's cost of equity.

3.16.1 The Authority proposes to cross subsidize ARR by Interest Income earned by the IOSPL on the surplus fund.

DAFFPL comments:

Without prejudice to the fact that the Authority has challenged the decision of the Hon'ble TDSAT by filing Civil Appeals before the Hon'ble Supreme Court, we submit that the treatment of interest income earned on surplus funds warrants reconsideration. Had IOSPL distributed the surplus as dividend, the income accruing to shareholders would not have been treated as revenue for ARR cross-subsidization. In such a scenario, IOSPL would also have been entitled to additional interest cost on working capital as a pass-through, since external borrowing would have been required to meet operational needs. The decision to retain surplus funds and utilise them for day-to-day operations reflects a financially prudent approach and therefore should not result in penalization by treating interest income as revenue for ARR cross-subsidization.

View above, we request the Authority to kindly reconsider the treatment of interest income while arriving at the ARR.

Yours faithfully,

Love Shrivastava,
Chief Executive Officer,
Delhi Aviation Fuel Facility Private Limited