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Order No. 45/2021-22



सत्यमेव जयते

AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

**IN THE MATTER OF
DETERMINATION OF AERONAUTICAL TARIFF FOR
PUNE INTERNATIONAL AIRPORT (PNQ) FOR
THE THIRD CONTROL PERIOD
(01ST APRIL 2021 TO 31ST MARCH 2026)**

Date of Issue: 17th March 2022

**AERA Building
Administrative Complex
Safdarjung Airport
New Delhi – 110 003**



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List of Abbreviations

Abbreviation	Expansion
AAI	Airports Authority of India
AAICLAS	Airports Authority of India Cargo Logistics and Allied Services
AAIOI	Airports Authority of India Officers Institute
AC	Air Conditioner
ACI	Airports Council International
ACP Cladding	Aluminium Composite Panel Cladding
AERA/Authority	Airports Economic Regulatory Authority of India
AHU	Air Handling Unit
AIC	Aeronautical Information Circulars
AMC	Annual Maintenance Contract
ANS	Air Navigation Services
AR	Admin Ratio
ARR	Aggregate Revenue Requirement
ASQ	Air Service Quality
ATF	Aviation Turbine Fuel
ATM	Air Traffic Movement
AUCC	Airport User Consultative Committee
BBS	Biometric Boarding System
BHS	Baggage Handling System
BIAL	Bengaluru International Airport Limited
BMS	Building Management System
BOQ	Bill of Quantity
CAGR	Compounded Annual Growth Rate
CAD	Civil Aviation Department
CCTV	Closed Circuit Television
CFT	Crash Fire Tender
CHQ	Corporate Head Quarter
CIAL	Cochin International Airport Limited
COVID-19	Corona Virus Disease-2019
CP	Consultation Paper
CSR	Corporate Social Responsibility
CUSS	Common Use Self Service
CUTE	Common User Terminal Equipment
CWIP	Capital Work in Progress
DG sets	Diesel Generator Sets
DOCA	Directorate General of Civil Aviation
DIAL	Delhi International Airport Limited
EHCR	Employee Headcount Ratio
FA	Financing Allowance
FC	Facilitation Charges



Abbreviation	Expansion
FCP	First Control Period
FICCI	Federation of Indian Chambers of Commerce and Industry
FIDS	Flight Information Display System
FRoR	Fair Rate of Return
FTC	Fuel Throughput Charge
FY	Financial Year
Gol	Government of India
GST	Goods and Services Tax
HIAL	Hyderabad International Airport Limited
HR	Human Resources
IAF	Indian Air Force
IATA	International Air Transport Association
ICAO	International Civil Aviation Organisation
IDC	Interest During Construction
IMG	Inter-Ministerial Group
IT	Information Technology
LED	Light Emitting Diode
LLP	Limited Liability Partnership
MAT	Minimum Alternate Tax
MESS	Mechanized Environmental Support Services
MIAL	Mumbai International Airport limited
MLCP	Multi-level Car Park
MMG	Minimum Monthly Guarantee
MPPA	Million Passengers Per Annum
MS	Microsoft
MSEDCL	Maharashtra State Electricity Distribution Company Limited
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NARR	Net Aggregate Revenue Requirement
NCAP	National Civil Aviation Policy
NITB	New Integrated Terminal Building
PA Systems	Public Address Systems
PBB	Passenger Boarding Bridges
PBT	Profit Before Tax
PF	Provident Fund
PLI	Proficiency Linked Incentive
PMC	Project Management Consultancy
PNQ	Pune International Airport
PRP	Productivity Related Pay
PSF	Passenger Security Fee
PSF FC	Passenger Security Fee – Facilitation Charges



List of Abbreviations

Abbreviation	Expansion
PV	Present Value
R&M	Repairs and Maintenance
RAB	Regulatory Asset Base
RBI	Reserve Bank of India
RCC	Reinforced Cement Concrete
RHQ	Regional Head Quarters
RFP	Request for Proposal
SCCTV	Surveillance Closed Circuit Television
Second Control Period	Second Control Period
SITC	Supply, Installation, Testing and Commissioning
SS Cladding	Stainless Steel Cladding
STP	Sewage Treatment Plant
TB	Terminal Building
TBLR	Terminal Building Ratio
Third Control Period	Third Control Period
TDSAT	Telecom Disputes Settlement and Appellate Tribunal
TR stalls	Trade Stalls
U/G tunnel	Under Ground Tunnel
UDF	User Development Fee
UPS	Uninterruptible Power Supply
VAT	Value Added Tax
VIP	Very Important Person
WACC	Weighted Average Cost of Capital
WC	Working Capital
WDV	Written Down Value
WPI	Wholesale Price Index
WTP	Water Treatment Plant
XBIS	X-ray Baggage Inspection System
Units of Measurement	
Cr	Crore
FY	Financial Year
Mn	Million
MT	Metric Tonne
No.	Number
P.A.	Per annum
Rs.	Rupees
Sq.m.	Square meter
YoY	Year on Year



1. BACKGROUND

1.1 Introduction

- 1.1.1 Pune International Airport is located approximately 10 km North-East of Pune City which is the second largest city in Maharashtra after Mumbai with a population of approximately 7.4 million as of 2020. Pune city is widely regarded as the second major "IT hub of India" and the top "automobile and manufacturing hub of India".
- 1.1.2 Pune International Airport is a civil enclave which is jointly operated by Airport Authority of India (AAI) and Indian Air Force (IAF) at the eastern side of Lohegaon Air Base of the Indian Air Force. AAI collects parking, housing and UDF charges at Pune International Airport. Landing charges at Pune International Airport are collected by the Indian Air Force as it is a civil enclave.
- 1.1.3 Pune International Airport's designated capacity is 7 million passengers. In FY 2019-20, the Airport handled a throughput of 8.086 million passengers (Composition of passengers - Domestic - 98% approx. and International 2% approx.). Since the traffic at Pune International Airport is more than 3.5 MPPA, it is considered as a major airport as defined in section 2(i) of AERA Act 2008 read with AERA (Amendment) Act 2019 and AERA (Amendment) Act 2021. The traffic handled by the Pune International Airport during the Second Control Period is given in table below:

Table 1: Passenger and ATM traffic during the Second Control Period

Year	Dom. Pax (In Millions)	Int. Pax (In Millions)	Total Pax. (In Millions)	Dom. ATMs (In nos.)	Int. ATMs (In nos.)	Total ATMs (In nos.)
FY17	6.512	0.257	6.769	44662	2120	46782
FY18	7.892	0.273	8.165	53705	2316	56021
FY19	8.819	0.252	9.071	57612	2276	59888
FY20	7.927	0.158	8.086	53066	1195	54261
FY21	2.133	0.005	2.138	19686	145	19831

- 1.1.4 With the traffic handled crossing its designated capacity, Pune International Airport has planned and begun construction of a new terminal, taking the overall capacity post commissioning of the new Terminal building to 19 MPPA.
- 1.1.5 Technical and infrastructural details of civil enclave at Pune International Airport are provided in the table below:

Table 2: Technical details of Pune International Airport

Particulars	Details
Total Airport Area	26.01 acres (Civil Enclave)
Runway Orientation and Length	10/28; 2535 meter-IAF Runway
No. of Taxi Tracks	1 Parallel Taxiway and 3 Taxiways leading to Civil Apron
No. of Apron Bays	10
Navigational Aids	4C
Operational Hours	24 hours

- 1.1.6 The Terminal building details of Pune International Airport is tabulated below:



Table 3: Terminal building details of Pune International Airport

Particulars	Existing
Terminal building area	23,560 sqm
Immigration counters	14
Customs counters	6
Security counters	10
Departure conveyer	2
Arrival conveyer	4
Peak hour passenger capacity	Departure:450, Arrival:450
No. of check in counters (CUTE)	32
Total area of Car parking	11000 sqm.

1.2 Tariff setting principles

1.2.1 The legislature has provided policy guidance to the Authority regarding determination of tariff for aeronautical services under the provisions of the AERA Act, 2008 read with AERA (Amendment) Act 2019 and AERA (Amendment) Act 2021. The Authority is required to adhere to this legislative policy guidance in discharge of its functions in respect of major airports. These functions are indicated in Section 13 (1) of the AERA Act, 2008, which reads as under:

- a) To determine the tariff for aeronautical services taking into consideration.
 - (i). The capital expenditure incurred and timely investment in improvement of airport facilities;
 - (ii). The service provided, its quality and other relevant factors;
 - (iii). The cost for improving efficiency;
 - (iv). Economic and viable operation of major airports;
 - (v). Revenue received from services other than aeronautical services;
 - (vi). Any Concession offered by the Central Government in any agreement or memorandum of understanding or otherwise;
 - (vii). Any other factor which may be relevant for the purposes of the Act;
- b) To determine the amount of development fees in respect of major airports;
- c) To determine the amount of passenger service fee levied under rule 88 of the Aircraft Rules, 1937 made under Aircraft Act, 1934;
- d) To monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf;
- e) To call for such information as may be necessary to determine the tariff under clause 13(1)(a).
- f) To perform such other functions relating to tariff, as may be entrusted to it by the Central Government or as may be necessary to carry out the provisions of this Act.

1.2.2 The Aggregate Revenue Requirement (ARR) under the regulatory framework of the Authority is calculated as under:

$$ARR = \sum_{t=1}^5 ARR_t$$

$$ARR = (FRoR \times RAB_t) + D_t + O_t + T_t - 5 \times NAR_t$$

Where,

t is the tariff year in the control period, ranging from 1 to 5

ARR_t is the Aggregate Revenue Requirement for tariff year 't'



FRR is the Fair Rate of Return for the Control Period

RAB_t is the Aeronautical Regulatory Asset Base for tariff year 't'

D_t is the Depreciation corresponding to the Regulatory Asset Base for tariff year 't'

O_t is the Aeronautical Operation and Maintenance expenditure for the tariff year 't'

T_t is the Aeronautical taxation expense for the tariff year 't'

α is the cross-subsidy factor for revenue from services other than Aeronautical services. Under the Hybrid Toll methodology followed by the Authority, $\alpha = 30\%$.

NAR_t is the Non-Aeronautical Revenue in tariff year 't'.

- 1.2.3 Based on the ARR, a yield per passenger is calculated as per formula given below:

$$\text{Yield Per Passenger} = \frac{\sum_{t=1}^5 PV(ARR_t)}{\sum_{t=1}^5 (VE_t)}$$

Where:

- $PV(ARR_t)$ is the present value of ARR for all tariff years in the Control Period. All cash flows are assumed to occur at the end of the year. The Authority has considered discounting cash flows, one year from the start of the Control Period.
- (VE_t) is the passenger traffic in tariff year t

- 1.2.4 The Authority's has issued detailed Guidelines laying down information requirements, periodicity, procedure for tariff determination. The details of Orders and Guidelines applied in the tariff proposals in this Order include the following:

- i. Order No. 13 dated 12.01.2011 ("Regulatory philosophy and approach in Economic Regulation of Airport Operators") and Direction No.5 dated 28.02.2011 ("Terms and conditions for determination of tariff for Airport Operators"); and
- ii. Order No. 05 dated 02.08.2010 ("Regulatory philosophy and approach in Economic Regulation of the services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts"); Order No. 12 dated 10.01.2011 and Direction No. 4 dated 10.01.2011 ("Terms and conditions for determination of tariff for services provided for Cargo facility, Ground Handling and Supply of Fuel to aircrafts").
- iii. Order No. 07/2016-17 dated 13.06.2016 ("Normative Approach to Building Blocks in Economic Regulation of Major Airports").
- iv. Order No. 14/2016-17 dated 23.01.2017 ("Aligning certain aspects of AERA's regulatory approach with the provisions of the National Civil Aviation Policy - 2016").
- v. Order No. 20/2016-17 dated 31.03.2017 ("Allowing concession to RCS flights under Regional Connectivity Scheme (RCS)").
- vi. Order No.35/2017-18 dated 12.01.2018 and Amendment No. 01 to Order No. 35/201718 dated 09.04.2018 ("In the matter of determination of useful life of Airport assets").
- vii. Order No. 42/2018-19 dated 05.03.2019 ("Determination of FRR to be provided on the cost of land incurred by various Airport Operators in India").

1.3 Past tariff determination history

- 1.3.1 The Authority in the First Control Period Order vide its Order No. 17/2015-16 dated 11th May 2015 had decided that tariff for Pune International Airport would continue at the then prevailing level of tariff collected by AAI, on an adhoc basis till 31st March 2016, as noted below :



"2.3 the fresh determination of tariff for the 2nd control period is due in less than one year and any determination now for the 1st Control Period would lead to frequent fluctuation in tariffs, which may best be avoided."

1.3.2 A brief on the timeline of events for the Second Control Period is as follows:

- AAI made revised submissions on 1st February 2017 according to Hybrid Till methodology as per AERA's Order no. 14/2016-17 dated 23.01.2017, with various supplementary information / submissions on 26th April 2017 and 17th May 2017.
- Pursuant to their submission, a series of discussions/meetings/presentations were held on the proposal including discussions in respect of the financial model submitted by AAI.
- The Authority considered and analyzed the views of various stakeholders on proposals of the Authority on various building blocks in respect of determination of aeronautical tariff for the Airport. Pursuant to this, the Authority determined the aeronautical tariff for Pune International Airport vide its Order No. 15/2017-2018 dated 30th October 2017.

1.4 Issuance of Consultation paper and receipt of Stakeholders' comments

- 1.4.1 As per proviso to clause 3.1 of the Airport Guidelines, Airport Operator(s) are required to submit to the Authority for its consideration, an MYTP for the respective Control Periods within the due date as specified by the Authority. AAI filed its MYTP submissions for the Third Control Period i.e., from FY 2021-22 to FY 2025-26, vide their letter dated 22nd June 2021. The MYTP submitted by AAI is available on AERA website along with the Consultation Paper.
- 1.4.2 The Authority had appointed an independent consultant, M/s PKF Sridhar and Santhanam LLP (PKF S&S LLP) to assess the MYTP submitted by AAI for Pune International Airport. Accordingly, M/s PKF S&S LLP has assisted the Authority in examining the MYTP of the airport operator, including verifying the data from various supporting documents submitted by the airport operator (including audited Financial statements and Fixed Asset Register), examining the building blocks in tariff determination, and ensuring that the treatment given to it is consistent with the Authority's methodology, approach, etc.
- 1.4.3 AAI had also submitted that all cargo operations were transferred to AAI Cargo Logistics and Allied Services (AAICLAS), its wholly owned subsidiary, in FY 2017-18. Hence, AAI's tariff proposal for Pune International Airport did not include revenues, expenditure and assets related to cargo operations from FY 2017-18. AAI has considered a revenue share of 30% of the cargo revenues earned by AAICLAS in Pune International Airport as aeronautical revenues. This is as per AAI's agreement with AAICLAS.
- 1.4.4 The Authority had examined and addressed the submissions made by AAI under respective sections of the Consultation Paper No. 26/2021-22 dated 30th December 2021 and had provided its proposals on each building block. Following the release of the Consultation Paper, the Authority had conducted a meeting of stakeholders on 14th January 2022. The minutes of the meeting are available on AERA's website.
- 1.4.5 The Authority also invited formal comments from all stakeholders on the issues and the proposals presented in its Consultation Paper No. 26/2021-22. The Authority appreciates the responses it has received from the various stakeholders and has considered their inputs while preparing this Tariff Order.
- 1.4.6 The following stakeholders provided their comments on the Consultation Paper No. 26/2021-22:
- Airports Authority of India
 - Federation of Indian Airlines
- 1.4.7 Various stakeholders have provided their comments on the Consultation Paper No. 26/2021-22. A list of stakeholders along with their regulatory building block wise comments are given below:



Table 4 : Chapter-wise Stakeholders' comments on the proposals of the Authority

Component impacting tariff determination of the Second Control Period	Name of the stakeholder who has provided comments (other than AAI)
Methodology for Tariff Determination	FIA
Revenue from Air Navigation Services and Cargo services for the Second Control Period	FIA
True Up of Second Control Period	FIA
Traffic for the Third Control Period	-
Regulatory Asset Base and Depreciation for the Third Control Period	FIA
Fair Rate of Return for the Third Control Period	FIA
Operating Expenses for the Third Control Period	FIA
Non-aeronautical revenue for the Third Control Period	FIA
Taxation for the Third Control Period	-
Inflation for the Third Control Period	-
Quality of service for the Third Control Period	-
Target revenue for the Third Control Period	FIA

- 1.4.8 All the written comments submitted by the stakeholders are also available on the AERA website (Public Notice No: 44/2021-22). No inputs were received from MoCA as part of the consultation process.
- 1.4.9 In the Consultation paper No. 26/2021-22, the Authority had considered the actual figures for FY 2016-17 to FY 2019-20 and projections for FY 2020-21 as the audited financial statements for FY 2020-21 were not submitted on a timely basis for the finalization of the Consultation Paper. During the consultation process, AAI had submitted the audited financials for FY 2020-21. The same has been incorporated in the Order. AAI shared several items of information during the consultation process, based on protracted follow-ups by the Authority from time to time. This information was considered in the computations of various building blocks and the resultant true-up of the Second Control Period was computed. The Authority has considered these revised and final figures in this Tariff Order.
- 1.4.10 The Authority notes that AAI had not submitted the actual financial information for FY 2020-21 for about 9 months from the end of the current financial year. It may be noted that the Authority vide its letter dated 30th July 2020 (F. No. AERA/20010/Misc./2010-11/Vol. III) directed AAI to submit their MYTP for Pune International Airport on or before 31st October 2020. The Authority had repeatedly sought provisional unaudited financial information which was also not submitted by AAI. Non-receipt of actual information on a timely basis, which is delayed for a long time hinders the complete MYTP evaluation exercise and non-receipt of information on a timely basis hinders the tariff determination process.
- 1.4.11 The Authority notes that Public Enterprises publish their Financial Statements with a two months' timeline from the end of the Financial Year. The statutory time limit prescribed for Companies under the Companies Act, to conduct the Annual General Meeting is 6 (six) months from the end of Financial Year.
- 1.4.12 The Authority is given to understand that AAI is required to follow the extant rules as prescribed in Chapter VI of Airports Authority of India Act 1994 with respect to preparation of Financial Statements and its audit. Receipt of provisional financial information, even if not audited, is imperative to facilitate tariff determination exercise. The Authority expects that AAI will put in place a mechanism to ensure timely availability of actual information for the past periods, within a reasonable period of time, which will enable a more timely and efficient tariff determination exercise.



1.5 Construct of this Order

- 1.5.1 The Tariff Order is structured under various chapters with the first chapter explaining the framework applied for determining tariffs at Pune International Airport. The Second chapter lists out AAI's submissions regarding true-up of the Second Control Period pertaining to various issues followed by a recap of Authority's decisions regarding various building blocks for the Second Control Period as per the Tariff Order for the Second Control Period. This is followed by Authority's analysis on the specific issues regarding true up of the Second Control Period as part of the tariff determination for the Third Control Period as already mentioned in the Consultation Paper. The same is followed by comments from various stakeholders along with counter comments from the airport operator followed by the Authority's analysis and final decision on the subject matter.
- 1.5.2 Chapters 3 - 11 bring out AAI's submissions regarding various building blocks pertaining to the Third Control Period including projected Traffic, RAB and Depreciation, Fair Rate of Return, Operating Expenses, Non-Aeronautical Revenue projections, Taxes, Inflation and Quality of Service along with Authority's analysis regarding the same at the consultation stage. These are followed by comments from various stakeholders along with counter comments and responses from AAI followed by the Authority's analysis and final decision on the subject matter.
- 1.5.3 Chapter 12 presents the revised Aggregate Revenue Requirement as determined by the Authority based on the decisions and adjustments considered by the Authority for the Third Control Period. This is followed by comments of AAI and other stakeholders. Thereafter, the Authority's analysis and final decisions are set out. The tariff card for Pune International Airport in Third Control Period is given in Annexure I and is based on the ARR computed by the Authority in this Chapter.
- 1.5.4 Chapter 13 summarizes the Authority's decisions on all the matters relating to the tariff computations and Chapter 14 is the final Tariff Order issued by the Authority for the Third Control Period for Pune International Airport.

1.6 Stakeholders' comments on the Methodology and Tariff submission for the Third Control Period

- 1.6.1 During the stakeholders' consultation process, the Authority has received comments/views from stakeholders in response to the proposals of Authority in Consultation Paper No. 26/2021-22 with respect to Methodology for tariff determination. The comments by stakeholders are presented below:

Other Stakeholders' comments regarding Methodology and Tariff submission for the Third Control Period

- 1.6.2 FIA's comments regarding Methodology and Tariff submission for the Third Control Period is as follows:

Methodology for Tariff Determination

- *"FIA submits that in Para 1.2.2 & 2.4.3 of Consultation Paper, it is stated that the AERA shall determine tariffs for using the 30% Hybrid Till model including for true ups as applicable. It is to be noted that the Federation of Indian Airlines has from time to time advocated the application of a Single Till model across the airports in India. FIA submits that AERA should adopt Single Till basis across all Control Periods, including by way of true up, in view of the following legal framework:
In the Single till Order, AERA has strongly made a case in favor of the determination of tariff on the basis of 'Single Till'. It is noteworthy that the AERA has, inter alia, in its Single Till Order:*



1. *Comprehensively evaluated the economic model and realities of the airport – both capital and revenue elements.*
2. *Considered the legislative intent behind Section 13(1)(a)(v) of the AERA Act.*
3. *Concluded that the 'Single Till' is the most appropriate for the economic regulation of major airports in India.*
4. *The criteria for determining tariff after considering standards followed by several international airports (United Kingdom, Australia, Ireland and South Africa) and prescribed by ICAO"*

Tariff submission

- *FIA submits that in Para 1.1.2 & 1.4.3 and 1.4.4 of Consultation Paper, it is submitted that as per section 2 of Airport Economic Regulatory Authority of India Act, 2008 (AERA Act), under sub-section (a), "aeronautical services means any services provided –*
(i) For navigation, surveillance and supportive communication thereto for air traffic management,
(v) for the cargo facility at an airport."
- *It is submitted that considering the above provisions of the AERA Act, revenue from Air Navigation Services, Cargo services (100% revenue accruing to AAI/CLAS) should form part of aeronautical revenues and accordingly AERA should take into account the corresponding revenue and revise the tariff card."*

AAI's counter-comments and response to Stakeholders' comments regarding Methodology and Tariff submission for the Third Control Period

Methodology for Tariff Determination

- *As per National Civil Aviation Policy 2016 [Page 17 para-c] "to ensure uniformity and level playing field across various operators, future tariffs at all airports will be calculated on a 'hybrid till' basis, unless otherwise specified for any project being bid out in future. 30% of non-aeronautical revenue will be used to cross-subsidize aeronautical charges. In case the tariff in one particular year or contractual period turns out to be excessive, the airport operator and regulator will explore ways to keep the tariff reasonable and spread the excess amount over the future".*
- *AAI has prepared MYTP on Hybrid Till Basis and AERA has considered it.*

Tariff Submission

- *"The methodology adopted by the Authority to determine Aggregate Revenue Requirement (ARR) is based on AERA Act, 2008 and the Airport Guidelines issued by AERA. (para 3.3.1.)*
- *As per the guidelines, for the Second Control Period, the Authority had adopted the Hybrid-Till mechanism for tariff determination, wherein, only 30% of the Non-aeronautical revenue is to be used for cross-subsidizing the Aeronautical charges. The Authority has considered the same methodology in the true up of the Second Control Period and for tariff determination in the Third Control Period. (para 3.3.2.)*
- *The ARR under Hybrid Till for the Control Period (ARR) shall be expressed as under:*



$$ARR = \sum_{t=1}^n ARR_t$$

$$ARR_t = (FRoR \times RAB_t) + Dt + Ot + Tt - s \times NAR_t \text{ (para 3-3-3.)}$$

- AAI submits that the tariff determination for airports by AERA is done only for the Aeronautical charges collected by the AAI of Major airports.
- Tariff for Air Navigation Services (ANS) for India as a whole has been revised by MoCA whereas, AAICLAS (Cargo services) is 100% subsidiary of AAI and tariff is determined separately by AERA."

Authority's analysis on Stakeholders' comments regarding Methodology and Tariff submission for the Third Control Period

1.6.3 The Authority has examined the comments made by FIA regarding Methodology for tariff determination and AAI's response to FIA's comments. The Authority's analysis and decisions are set out below:

1.6.4 The Authority has, as per the recommendation of the National Civil Aviation Policy 2016 (NCAP 2016) of GoI, amended tariff guidelines vide its Order No. 14/2016-17 dated 12th January 2017 to determine the future tariff using Hybrid Till. The Authority has provided detailed reasoning and adequately responded to the stakeholders' comments on the adoption of Hybrid Till in the above order. The excerpt from the same has been provided below:

"(i) The Authority will in future determine the tariff of major airports under "Hybrid Till" wherein 30% of Non-Aeronautical revenues will be used to cross subsidize aeronautical charges. Accordingly, to that extent, the airport operator guidelines of the Authority shall be amended. The provisions of the guidelines issued by the Authority, other than regulatory Till, shall remain the same."

Therefore, Hybrid Till has been followed to determine the aeronautical tariff.

1.6.5 The Authority has noted FIA's comment regarding revenue from ANS and AAICLAS. It may be noted that tariff for ANS is presently regulated by the Ministry of Civil Aviation (MoCA). All the assets, expenses, and revenues pertaining to ANS are considered separately by MoCA while determining tariff for ANS services. Further, the tariff for ANS services is determined at the central level to ensure uniformity across all airports in the country. Hence, the Authority determines the tariff for aeronautical services of the airport operator by excluding the revenues and expenses for ANS.

1.6.6 A separate tariff determination exercise is carried out for cargo handling services, wherever these services are provided by Independent Service Providers (ISPs) other than the Airport Operator. Further, the Authority considers expenses, revenues, and assets pertaining to these services separately while determining tariff for these services. Under the current tariff determination exercise for the airport operations, the Authority has considered the earnings accruing to AAI by way of revenue share (which is 30% of revenue from AAICLAS) and rent from these service providers.



2. TRUE UP FOR THE SECOND CONTROL PERIOD

2.1 AAI's submission pertaining to True Up for the Second Control Period

2.1.1 AAI submitted the results in relation to true up of ARR of Second Control Period with actual figures from FY 2016-17 to FY 2019-20 and estimated figures for FY 2020-21. AAI presented true up for the Second Control Period as part of the MYTP submission as follows:

Table 5: AAI's submission of True up for the Second Control Period

Particulars (Rs in lakhs)	Ref	FY17	FY18	FY19	FY20	FY21 (Est.)	Total
Opening RAB	A	8,212.55	8,116.29	8,122.60	9,912.76	11,154.95	
Closing RAB	B	8,116.29	8,122.60	9,912.76	11,154.95	13,039.78	
Average RAB	C=(A+B)/2	8,164.42	8,119.44	9,017.68	10,533.85	12,097.37	
FRoR (%)	D	14.00%	14.00%	14.00%	14.00%	14.00%	
Return on RAB	E=C*D	1,143.02	1,136.72	1,262.47	1,474.74	1,693.63	6,710.59
Compounding of Return on Dep. & Avg. RAB of FCP FA	F	58.32	-	-	-	-	58.32
Operating expense	G	5,882.78	7,705.50	9,875.43	10,345.46	9,542.11	43,351.29
Working Capital Interest & Interest on Term Loan	H	-	-	-	-	55.09	55.09
*Depreciation	I	713.86	709.07	795.93	941.13	1,118.29	4,278.27
Tax	J	-	-	-	1,419.64	-	1,419.64
Under recovery of First Control Period as on 31/3/2017	K	13,526.60	-	-	-	-	13,526.60
ARR	L=Sum(E:K)	21,324.57	9,551.30	11,933.83	14,180.97	12,409.12	69,399.79
Non-Aeronautical revenue	M	3,060.67	3,494.94	6,766.15	6,134.92	2,215.50	21,672.19
Less: 30% Non-Aeronautical revenue	N=M*30%	918.20	1,048.48	2,029.85	1,840.48	664.65	6,501.66
Net Aggregate Revenue Requirement (NARR)	O=L-N	20,406.37	8,502.82	9,903.98	12,340.50	11,744.47	62,898.14
Actual Aero Revenue	P	4,124.07	8,147.45	18,810.78	17,504.58	4,800.08	53,386.96
Shortfall	Q=O-P	16,282.29	385.37	-8,906.80	-5,164.09	6,944.39	9,511.16
Compounding rate	R	14.00%	14.00%	14.00%	14.00%	14.00%	
Compounding Factor	$S=(1+R)^{5/4/3/2/1}$	1.93	1.69	1.48	1.30	1.14	
Compounding of NARR	T=O*S	39,290.72	14,360.92	14,673.19	16,037.71	13,388.70	97,751.23
Compounding of Aero Revenue	U=P*S	7,940.55	13,760.71	27,869.00	22,748.96	5,472.09	77,791.31
Shortfall as on 31/3/2022	V=T-U	31,350.17	600.20	-13,195.81	-6,711.25	7,916.61	19,959.92

*Includes depreciation on Financing Allowance of capital additions considered in First Control Period.

2.1.2 AAI in its MYTP, had proposed to carry forward shortfall of Rs. 19,959.92 lakhs after true up of Second Control Period while determining aeronautical tariffs for the Third Control Period.



Recap of decision taken by the Authority for True up of Building Blocks at the time of determination of tariff for the Second Control Period

2.1.3 The Authority had noted the following decisions in Order no. 15/2017-18 dated 30th October 2017 with respect to true up of Building Blocks at the time of determining tariff for the Second Control Period.

Table 6: Decisions taken by the Authority in Order no. 15/2017-18 for the Second Control Period

S. No.	Particulars	Decision No.	Decision
1	Traffic	2.b	The Authority decided to true up the traffic volume (ATM and Passengers) based on the actual traffic in the Second Control Period while determining the tariffs for the Third Control Period.
2	Opening RAB	4.a	The Authority decided to consider the opening Regulatory base for the 2 nd control Period under Hybrid till as Rs. 8,003 lakhs.
3	Capital Expenditure	5.c	The Authority decided to true up the opening RAB of the next control period depending on the capital expenditure incurred and date of capitalisation of underlying assets in a given year.
4	Depreciation	6.b	The Authority decided to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. The Authority decided to make necessary adjustments in RAB and true up of Depreciation while considering tariff determination in future.
5	RAB for the Second Control Period	7.b	The Authority decided to true up the RAB of the Second Control Period on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of tariff for the Third Control Period.
6	FRoR	8.a	The Authority decided to consider the FRoR at 14% for civil enclave at Pune International Airport for Second Control Period.
7	Non-Aeronautical Revenue	9.a	The Authority decided to consider the revenues accruing to AAI on account of aeronautical services of Cargo Facility, Ground Handling Services and Supply of fuel to aircraft including land lease rentals and building rent from these activities as aeronautical services.
		9.c	The Authority decided that Non-Aeronautical Revenue will be true up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues.
8	Operation and Maintenance expenditure	10.b	The Authority expected AAI to reduce per pax O&M expenditure over a period of time.
		10.c	The Authority decided to true up the O&M expenditure for FY 2016-17 to FY 2020-21 of the Second Control Period based on the actuals at the time of determination of tariffs for the Third control Period.
9	Taxation	11.b	The Authority decided to true up the difference between the actual/apportioned corporate tax paid and that estimated by the Authority for the Second Control Period during the tariff determination for the Third Control Period.

2.1.4 The Authority had examined the true up for Second Control Period, issue wise, in the following manner:

- Recording and understanding of the true-up as put forth by AAI in its submission.
- Recap of decision taken by the Authority for each item of true-up at the time of tariff determination for the Second Control Period.



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- Examination and proposal regarding each item of true-up as part of tariff determination for the Second Control Period.
- Examination of comments and counter comments from stakeholders.

2.2 True up of Traffic

AAI's submission for true up of traffic

2.2.1 AAI had submitted the passenger and ATM traffic based on actuals for FY 2016-17 to FY 2019-20 and estimates for FY 2020-21.

Table 7: AAI's submission for true up of traffic for the Second Control Period

	Ref	FY 17	FY 18	FY 19	FY 20	FY 21 (est)	Total
Air Traffic Movements (in 000's)							
Domestic	A	44.66	53.71	57.61	53.07	18.90	227.95
International	B	2.12	2.32	2.28	1.20	0.20	8.11
Total	A+B	46.78	56.02	59.89	54.26	19.10	236.05
Passenger Traffic (in Millions)							
Domestic	C	6.51	7.89	8.82	7.93	2.12	33.27
International	D	0.26	0.27	0.25	0.16	0.00	0.94
Total	C+D	6.77	8.16	9.07	8.09	2.13	34.22

Recap of decision taken by the Authority for traffic at the time of determination of tariff for the Second Control Period

2.2.2 The Authority vide decision no. 2 of Order no 15/2017-18 dated 30th October 2017 decided the following with respect to Traffic for Second Control Period.

- Decision no. 2.a. "The Authority decides to consider the ATM and Passenger traffic as per Table 19."
- Decision no. 2.b. "The Authority decides to true up the traffic volume (ATM and Passengers) based on actual traffic in 2nd control period while determining tariffs for the 3rd Control Period."

Table 8: Traffic growth rates and Traffic as considered by the Authority for Second Control Period (Table 19 of Second Control Period order)

Year	Passenger (Millions)			ATM (Nos.)		
	Domestic	International	Combined	Domestic	International	Combined
Growth Rates						
2016-17	26%	3%	25%	16%	0%	15%
2017-18	12%	10%	12%	10%	8%	10%
2018-19	12%	10%	12%	10%	8%	10%
2019-20	12%	10%	12%	10%	8%	10%
2020-21	12%	10%	12%	10%	8%	10%
Traffic						
2016-17	65,40,312	2,47,079	67,87,391	44,886	2,046	46,932
2017-18	73,25,149	2,71,787	75,96,935	49,374	2,209	51,583
2018-19	82,04,166	2,98,965	85,03,132	54,312	2,386	56,698
2019-20	91,88,667	3,28,862	95,17,528	59,743	2,577	62,320
2020-21	1,02,91,306	3,61,748	1,06,53,055	65,717	2,783	68,499



Authority's examination of Traffic for the Second Control Period as part of Consultation Paper

- 2.2.3 The Authority had noted that traffic figures for FY 2020-21 were estimated by AAI at the time of submitting MYTP. The Authority compared the traffic as estimated by AAI for FY 2020-21 with the actual traffic as given by AAI in its website and noted them to be different.
- 2.2.4 It was observed that while the passenger data provided by AAI matched till FY 2019-20 with that on the website, the ATM and passenger details provided by AAI for FY 2020-21 were different from the details available on the website. The summary of traffic for the Second Control Period as per AAI website is as follows.

Table 9: ATM and passenger traffic for Second Control Period as per AAI website as part of Consultation Paper

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Air Traffic Movements (in 000's)							
Domestic	A	44.66	53.71	57.61	53.07	19.69	228.73
International	B	2.12	2.32	2.28	1.20	0.15	8.05
Total	A+B	46.78	56.02	59.89	54.26	19.83	236.78
Passenger Traffic (in Millions)							
Domestic	C	6.51	7.89	8.82	7.93	2.13	33.28
International	D	0.26	0.27	0.25	0.16	0.00	0.94
Total	C+D	6.77	8.16	9.07	8.09	2.14	34.23

- 2.2.5 The Authority had observed that domestic passenger traffic and ATMs of FY 2017-18 and FY 2018-19 were higher than that proposed by the Authority in the tariff order of the Second Control Period. However, there was a dip in traffic numbers for the FY 2019-20, which was attributed to the grounding of Jet Airways in early part of the financial year and lockdown owing to Covid-19 pandemic in the month of March 2020. Further, there was a significant dip in passenger traffic and ATM during FY 2020-21 as compared to the projections due to the impact of Covid-19 pandemic).
- 2.2.6 The Authority had noted that in the Second Control Period Order, cargo activities at Pune International Airport was transferred to AAI Cargo Logistics and Allied Services Company Ltd. (AAICLAS) in the FY 2017-18. Hence, no cargo traffic was projected as part of Second Control Period Order and consequently no true up of cargo traffic had been considered as part of true up of Second Control Period.
- 2.2.7 The Authority based on above analysis, had proposed to consider the actual traffic figures as per AAI website for all years i.e., from FY 2016-17 to FY 2020-21 for true up of Second Control Period as per Table 9.

Stakeholders' comments on true up of Traffic for the Second Control Period

- 2.2.8 There were no Stakeholders' comments with respect to true-up of traffic for the Second Control Period.

Authority's analysis on Stakeholders' comments and decision regarding true up of Traffic for the Second Control Period

- 2.2.9 It is noted that no Stakeholders' comments were received regarding true-up of traffic for the Second Control Period. The Authority has decided to consider the traffic based on actuals for true-up of the Second Control



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Period, consistent with the proposal made in this regard in Consultation Paper No. 26/2021-22. The traffic considered by the Authority for the true-up of the Second Control Period is given in Table 9.

2.3 True up of Aeronautical Revenues

AAI's submission for true up of aeronautical revenues

2.3.1 AAI had submitted that the following were the sources of Aeronautical Revenue:

- Parking and Housing charges
- Passenger Service Fee – Facilitation Charge (PSF FC)
- User Development Fee (UDF)
- Fuel Throughput Charges (FTC)
- Ground handling revenue
- CUTE service charges
- Land lease from Oil companies
- Land lease from Ground Handling
- Cargo revenue till FY 2016-17
- Revenue share from AAICLAS from FY 2017-18

2.3.2 AAI had submitted the following aeronautical revenues for the Second Control Period:

Table 10: Aeronautical Revenues submitted by AAI for True Up of Second Control period

(Rs. in Lakhs)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Parking & Housing	30.81	54.69	85.38	103.37	36.39	310.64
PSF (FC)						
Domestic	2,562.78	2,264.02	18.97	0.00	0.00	4,845.77
International	13.16	70.35	1.19	0.00	0.00	84.70
Total PSF	2,575.95	2,334.37	20.16	0.00	0.00	4,930.47
UDF						
Domestic	0.00	3,782.17	15,574.32	15,236.97	4,082.42	38,675.88
International	0.00	188.59	947.69	590.97	16.44	1,743.69
Total UDF	0.00	3,970.76	16,522.01	15,827.94	4,098.87	40,419.57
Fuel Throughput Charges	133.11	260.16	350.03	124.32	0.00	867.63
Ground Handling	466.76	541.61	688.22	416.27	146.53	2,259.39
CUTE	591.87	710.53	785.29	680.86	179.23	2,947.77
Land lease from Oil companies	109.21	115.26	143.74	117.31	117.31	602.83
Land lease from Ground Handling	190.82	160.06	135.01	159.42	159.42	804.73
Cargo	25.56	0.00	0.00	0.00	0.00	25.56
Revenue share from AAICLAS	0.00	0.00	80.94	75.09	62.34	218.37
Total Aero revenues	4,124.07	8,147.45	18,810.78	17,504.58	4,890.08	53,386.96

Recap of decision taken by the Authority for Aeronautical Revenue at the time of determination of tariff for the Second Control Period

2.3.3 The Authority vide para no. 17.13 and 17.15 of Order no 15/2017-18 dated 30th October 2017 decided the following with respect to Aeronautical revenue for Second Control Period.

- "The estimated Aeronautical Revenues based on tariffs as proposed by the Authority to be applicable from 01.12.2017, indicated in Table 49 as per Second Control Period Order."



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- "The Authority had proposed that any shortfall/excess in revenues for the Second Control Period based on the proposed tariff by AAI to be considered while determining aeronautical tariff for the Third Control Period."

Table 11: Projected Revenue, Target Revenue and Shortfall as per the Authority for the 2nd Control Period (Table 49 of Second Control Period order)

(Rs. in Lakhs)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Landing (A)	-	-	-	-	-	-
Parking and Housing (B)	30.00	50.00	80.00	90.00	100.00	350.00
UDF/PSF as per existing Rates (C)	2,610.00	2,920.00	3,270.00	3,660.00	4,100.00	16,560.00
Fuel Throughput (FTP) + Into Plane (ITP) and lease rentals (D)	280.00	310.00	340.00	380.00	420.00	1,730.00
Ground Handling Charges and lease rentals (E)	520.00	570.00	620.00	690.00	750.00	3,150.00
CUTE (F)	600.00	670.00	750.00	840.00	940.00	3,800.00
Total Projected Revenue (G)	4,040.00	4,520.00	5,070.00	5,660.00	6,320.00	25,610.00
Target Aero Revenue	8,570.00	9,990.00	11,650.00	13,590.00	15,850.00	59,650.00
Shortfall (-)/Excess (+)	-4,530.00	-5,470.00	-6,590.00	-7,930.00	-9,530.00	-28,580.00
PV Value (01.04.2016) with 14% rate	-4,530.00	-4,800.00	-5,070.00	-5,350.00	-5,640.00	-25,390.00
Total PV as on 01.04.2016					-25,400.00	-25,400.00
UDF with revised rates considered by AERA (H)	2,610.00	6,540.00	16,020.00	18,640.00	21,630.00	65,490.00

Authority's examination of Aeronautical Revenues for the Second Control Period as part of Consultation Paper

- 2.3.4 AAI had submitted the aeronautical revenue for true up of the Second Control Period with actual values for FY 2016-17 to FY 2019-20 and estimated values for FY 2020-21.
- 2.3.5 The Authority had noted that Aeronautical Revenue is based on the following metrics:
- Parking & Housing charges and Ground handling charges - ATM Traffic
 - PSF/UDF and CUTE services revenue - Passenger Traffic
 - Fuel Throughput Charges – Fuel throughput handled
 - Land lease from Oil companies, Land lease from Ground Handling – Actual rental revenues based on agreements
 - Cargo – Cargo Traffic
 - Revenue share from AAICLAS – 30% of revenues earned by AAICLAS Pune as per agreement between AAI and AAICLAS
- 2.3.6 The Authority had examined the trial balances for FY 2016-17 to FY 2019-20 submitted by AAI as part of the MYTP submission and considered the base figures as submitted by AAI for the period FY 2016-17 to FY 2019-20 as aeronautical revenues subject to the following change.
- The Authority had noted that AAI has deducted Rs. 163.06 lakhs from Land lease revenues under non-aeronautical services in FY 2017-18 to be considered as aeronautical revenues as they pertain to land lease revenue earned from ground handling agencies. However, AAI had considered only Rs. 160.63



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lakhs as part of the Aeronautical revenues instead of Rs 163.06 lakhs. The Authority had proposed to correct the same by adding the difference to the figure submitted by AAI for FY 2017-18.

- Rent from space given to aeronautical service providers such as space given to Airlines was considered as Non-Aeronautical Revenue by Pune International Airport. The Authority was of the view that the revenues collected from aeronautical services providers such as Airlines are to be treated as Aeronautical Revenues. Therefore, the Authority had proposed to consider the rent received from space given to Airlines and other aeronautical concessionaires as aeronautical revenues.
- 2.3.7 The Ministry of Civil Aviation discontinued the levy of fuel throughput charge at all airports with effect from 15th January 2020 vide MoCA letter no. F.No. AV-13030/216/2016-ER (Pt.2) dated 8th January 2020. As a result of this Order, the Authority vide Order No. 11/2020-21 dated 12th June 2020 added Rs. 6.00 to UDF (for both Domestic & International traffic) in lieu of shortfall in ARR collection from FTC. The same had been included by AAI in the respective heads for the applicable years.
- 2.3.8 The Authority had noted that even though Cargo activities were transferred to AAICLAS in FY 2017-18 as stated in para 1.4.3, there was no revenue share accounted from AAICLAS in FY 2017-18. Upon enquiry, AAI submitted that the revenue of FY 2017-18 was clubbed with the revenue in FY 2018-19 because AAICLAS was a newly formed organization, and the flow of entries/accounting was being stabilized.
- 2.3.9 The Authority had noted AAI's submissions as above but had observed that the share of revenue from AAICLAS in FY 2018-19 & FY 2019-20 were almost the same and there was no significant variance. AAI reiterated vide clarificatory replies that actual revenues as per the trial balance of Pune International Airport may be considered. Considering that AAI maintains financials for every station, the Authority had proposed to accept the revenues submitted by AAI as per the Trial Balance, in respect of revenue share from AAICLAS.
- 2.3.10 For FY 2020-21, the Authority had proposed to estimate the revenues based on the following:
- **Parking & Housing Revenue, PSF, UDF, Ground Handling Revenue & CUTE** – Based on the revised traffic numbers as proposed by the Authority for the year as enumerated in Table 9.
 - **Land Lease Revenue from Oil companies, Ground handling agencies and Airline's office space** – To be retained at FY 2019-20 levels as proposed by AAI.
 - **Revenue share from AAICLAS** - As proposed by AAI on the basis of data submitted to them by AAICLAS.

Aeronautical Revenues proposed to be considered by the Authority for True Up of Second Control period as part of Consultation Paper

- 2.3.11 Based on the above discussions, the Authority had proposed to consider the following as aeronautical revenues for the Second Control Period

Table 12: Aeronautical Revenues proposed by the Authority for True Up of Second Control period as part of Consultation Paper

Particulars	(Rs. in Lakhs)					
	FY17	FY18	FY19	FY20	FY21	Total
Parking & Housing	30.81	54.69	85.38	103.37	37.78	312.03
PSF (FC)						-
Domestic	2,562.78	2,264.02	18.97	-	-	4,845.77
International	13.16	70.35	1.19	-	-	84.70



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Particulars	FY17	FY18	FY19	FY20	FY21	Total
Total PSF	2,575.95	2,334.37	20.16	-	-	4,930.47
UDF						-
Domestic	-	3,782.17	15,574.32	15,236.97	4,099.68	38,693.14
International	-	188.59	947.69	590.97	18.23	1,745.48
Total UDF	-	3,970.76	16,522.01	15,827.94	4,117.91	40,438.62
Throughput Charges	133.11	260.16	350.03	124.32	-	867.63
Ground Handling	466.76	541.61	688.22	416.27	152.14	2,265.00
CUTE	591.87	710.53	785.29	680.86	180.02	2,948.57
Land lease from Oil companies	109.21	115.26	143.74	117.31	117.31	602.83
Land lease from Ground Handling	190.82	163.06	135.01	159.42	159.42	807.73
Rent from Airline office Space	398.54	260.76	307.94	245.18	245.18	1,457.59
Cargo	25.56	-	-	-	-	25.56
Revenue share from AAICLAS	-	-	80.94	75.09	62.34	218.37
Total Aeronautical Revenue	4,522.61	8,411.20	19,118.72	17,749.76	5,072.10	54,874.40

- 2.3.12 The Authority had proposed to consider the aero revenues as per Table 12 for true up of the Second Control Period.

Stakeholders' comments on true up of Aeronautical Revenues for the Second Control Period

- 2.3.13 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with respect to true up of aeronautical revenue for the Second Control Period. The comments are as follows:

AAI's comments regarding true up of Aeronautical Revenues for the Second Control Period

- 2.3.14 AAI's comments regarding true up of revenue from Airlines space is as follows:

AERA's Contentions

- Reference is invited to para 2.3.7 of the CP which stated as follows "Rent from space given to aeronautical service providers such as space given to Airlines has been considered as Non-Aeronautical Revenue by Pune International Airport. The Authority is of the view that the revenues collected from aeronautical services providers such as Airlines are to be treated as Aeronautical Revenues. Therefore, the Authority proposes to consider the rent received from space given to Airlines and other aeronautical concessionaires as aeronautical revenues."

AAI's submission

- The details of GL Accounts of "Building Non-Residential" of F.Y. 2016-17 to 2020-21 are as under:

(Rs. in Lakhs)

Revenue from Building Non-Residential as per AAI Trial Balances					
Particulars	Actual				
	FY17	FY18	FY19	FY20	FY21
O.AAI/940011000 T. Bldg. Airlines	307.49	264.81	385.17	247.76	106.53
O.AAI/940012000 TB Regul. Bodies	191.43	7.15	7.88	6.25	3.52
O.AAI/940012500 Other Bldg. Regul. Bodies	0.00	78.97	0.00	0.00	0.00
O.AAI/940013000 TB-Others	86.99	186.62	188.07	173.79	342.83
Total Amount Submitted	585.90	537.61	581.12	427.79	452.88



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- The actual revenue Airlines wise as submitted by the Pune station is as under:

(Rs. in Lakhs)

Calculation of Actual Revenue from Airlines offices for the SCP					
Name of Airline	Total Area allotted to Airlines				
	FY 17	FY 18	FY 19	FY 20	FY 21
Indigo	226.41	226.41	226.41	226.41	203.76
Indigo-Cargo	66.14	0.00	0.00	0.00	0.00
Air India	62.46	62.46	62.46	65.43	65.43
Tata SIA Vistara	37.2	37.2	37.2	116.41	100.45
Tata SIA Vistara-Cargo	56.3	0.00	0.00	0.00	0.00
Air Asia	28.08	28.08	28.08	33.01	33.01
Jet Airways	143.99	143.99	143.99	0.00	0.00
Jet Airways -Cargo	66.14	0.00	0.00	0.00	0.00
SpiceJet	102.89	110.05	110.05	104.3	104.3
SpiceJet - Cargo	38.75	0.00	0.00	0.00	0.00
Go Air	38.51	38.51	38.51	75	75
Go Air Cargo	92.91	0.00	0.00	0.00	0.00
Lufthansa Airlines	36.62	36.62	36.62	36.62	0
Total Area Allotted	996.4	683.32	683.32	637.18	581.95
Rate (Per SQM)	1775	1955	2155	2375	2200
Revenue Per Month	1768610	1335898.6	1472554.6	1560802.5	1280290
Annual Revenue	21223320	16030687	17670655	18729630	15363480
In Lakhs	212.23	160.31	176.71	187.30	153.63

- There is misclassification of Revenue of the above-mentioned GL Accounts. The actual revenue of Airlines offices, ticketing counter, back office has been computed by Pune station.

AAI's Request

- In view of above, AAI requests the Authority to consider the above figures as "Building Non-Residential" pertaining to Airlines."

Authority's analysis on Stakeholders' comments regarding true-up of Aeronautical Revenue for the Second Control Period

- 2.3.15 The Authority has noted AAI's comments regarding revenue from Airline's space
- 2.3.16 The Authority noted that at the time of MYTP evaluation, AAI has only provided the total value as per the general ledger for the revenues from space given to Airlines. Even upon enquiry, AAI did not provide any details/documents justifying the same. As part of stakeholder comments, AAI has provided a summary of revenues airline wise but has not provided detailed explanation and reasons for these values to be lower than that shown in the General Ledger.
- 2.3.17 In the absence of proper documentation and reconciliation of revenues booked under general ledgers and AAI submission, the Authority is not in a position to consider the revenues as calculated above by AAI. Therefore, the Authority decides to consider the revenues of the airlines as per the general ledger as proposed in the consultation paper.

AAI's submission of actual Aeronautical Revenue for FY 2020-21

- 2.3.18 The Authority had sought data regarding the actual aeronautical revenue pertaining to FY 2020-21. AAI submitted actual aeronautical revenue of Rs. 4,871.61 lakhs for FY 2020-21. The same was submitted to



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the Authority vide AAI's email "In the matter of Determination of Tariff of Pune International Airport for Third Control Period (01.04.2021 to 31.03.2026) and True-up of Second Control Period (01.04.2016 to 31.03.2021) - Updation of Actuals for the F.Y. 2020-21- Reg." dated 24th December 2021.

Authority's examination of the actual Aeronautical Revenues for FY 2020-21

2.3.19 The Authority has reviewed the actual aeronautical revenue submitted by AAI for FY 2020-21. The Authority has compared the projected figures for FY 2020-21 as considered at the time of consultation paper (refer Table 12) with the amount submitted by AAI as actuals. The comparison are as follows.

Table 13: Comparison of actual figures of FY 2020-21 v/s projected figures in Consultation Paper by the Authority

(Rs. in lakhs)				
Particulars	FY21 (projected by AERA) (A)	FY21 (Actuals) (B)	Difference (B-A)	Notes
Parking & Housing	37.78	263.62	225.84	1
PSF (FC)				
Domestic	-	-	-	
International	-	-	-	
Total	-	-	-	
UDF				
Domestic	4,099.68	4,110.47	10.79	
International	18.23	10.57	-7.66	
Total	4,117.91	4,121.04	3.13	
Throughput Charges	-	-	-	
Ground Handling	152.14	135.53	-16.61	
CUTE	180.02	223.39	43.37	
Land lease from Oil companies	117.31	73.46	-43.85	2
Land lease from Ground handling	159.42	3.25	-156.17	3
Rent from Airline Office Space	245.18	109.50	-135.68	4
Cargo Revenue	-	-	-	
Revenue from AAICLAS	62.34	66.81	4.47	
Total Aeronautical Revenue	5,072.10	4,996.61	-75.49	

Notes: The reasons for major increase or decrease from projected to actuals figures of FY 2020-21 are as follows:

- Parking & Housing Charges: Extended parking hours by aircrafts of Indigo & SpiceJet resulted in higher amount of Parking Charges for the year FY 2020-21..
- Land lease from Oil companies: Oil Companies have surrendered the land space in view of construction of NITB. There is no land available with AAI for allotting to Oil companies. Hence the old contracts are not likely to be restored after NITB commences operations.
- Land lease from Ground handling: There are numbers of ground handling agencies out of which some had surrendered their spaces during FY 2020-21. This resulted in reduction in the total rent charged lease rental during FY 2020-21. This resulted in reduction in revenue from land lease in FY 2020-21.
- Rent from Airline Office Space: Rent received from space given to Airlines and other aeronautical concessionaires is considered as aeronautical revenues instead of Non-aeronautical revenues for FY 2020-21. As stated by AAI, revenue from Airlines office space got reduced during FY 2020-21 due to reduction in rate per sqm charged.



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2.3.20 The Authority, based on its analysis as stated above, decided to consider the actual figures submitted by AAI for FY 2020-21.

Table 14: Aeronautical revenue for true-up of the Second Control Period decided by the Authority

(Rs. in Lakhs)						
Particulars	FY17	FY18	FY19	FY20	FY21	Total
Parking & Housing	30.81	54.69	85.38	103.37	263.62	537.88
PSF (FC)						-
Domestic	2,562.78	2,264.02	18.97	-	-	4,845.77
International	13.16	70.35	1.19	-	-	84.70
Total	2,575.95	2,334.37	20.16	-	-	4,930.47
UDF						-
Domestic	-	3,782.17	15,574.32	15,236.97	4,110.47	38,703.93
International	-	188.59	947.69	590.97	10.57	1,737.82
Total	-	3,970.76	16,522.01	15,827.94	4,121.04	40,441.74
Throughput Charges	133.11	260.16	350.03	124.32	-	867.63
Ground Handling	466.76	541.61	688.22	416.27	135.53	2,248.40
CUTE	591.87	710.53	785.29	680.86	223.39	2,991.94
Land lease from Oil companies	109.21	115.26	143.74	117.31	73.46	558.98
Land lease from Ground handling	190.82	163.06	135.01	159.42	3.25	651.56
Rent from Airline Office Space	398.54	260.76	307.94	245.18	109.50	1,321.91
Cargo Revenue	25.56	-	-	-	-	25.56
Revenue from AAICLAS	-	-	80.94	75.09	66.81	222.84
Total Aeronautical Revenue	4,522.61	8,411.20	19,118.72	17,749.76	4,996.61	54,798.91

2.4 True up of Regulatory Asset Base

AAI's submission for true up of Opening RAB and aeronautical asset additions for the Second Control Period:

2.4.1 Opening RAB submitted by AAI for the Second Control Period is given in the table below.

Table 15: Opening RAB submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)	
Particulars	Value as on 01.04.2016
Building-Terminal	5,597.22
Plant & Machinery	371.83
Tools & Equipment's	215.12
Electrical Installation	1,658.22
Furniture's & Fixtures	122.94
X Ray Baggage System	190.05
CFT equipment, Computers etc.	57.18
Total	8,212.55



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2.4.2 AAI has submitted that the total capital additions for the Second Control Period, from FY 2016-17 to FY 2020-21 amounted to Rs. 9,101.43 lakhs. Out of this, capital expenditure for FY 2020-21 was on an estimate basis. Year wise capital additions is given in the table below:

Table 16: Gross and Aeronautical Asset Additions submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)

Particulars	FY 17 (Actual)	FY 18 (Actual)	FY 19 (Actual)	FY 20 (Actual)	FY 21 (Est.)	Total
Total Additions	613.46	715.38	2,586.08	2,183.39	3,003.12	9,101.43
Aero Additions (for detailed additions refer Table 17)	611.77	715.38	2,586.08	2,183.33	3,003.12	9,099.67
Allocation Ratio	99.72%	100.00%	100.00%	99.99%	100.00%	99.98%

Table 17: Aeronautical additions submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)

Additions	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	-	-	993.19	8.98	-	1,002.17
Building-Terminal	-	-	-	45.08	55.62	100.69
Building-Others	80.07	368.99	302.64	120.88	44.90	917.47
Roads, Bridges and Culverts	-	-	-	6.65	-	6.65
Computer & Peripheral-End User	14.77	15.54	51.18	15.09	-	96.58
Computer & Peripheral-Server and Networks	-	-	-	36.26	-	36.26
Computer & Package -Intangible Assets	-	1.53	15.06	-	5.00	21.59
Plant & Machinery	325.03	127.44	748.20	1,352.95	29.22	2,582.84
Tools & Equipment's	47.11	0.40	-	366.49	2,502.06	2,916.07
Other Vehicles	-	-	191.11	11.33	-	202.44
Vehicle- Cars & Jeeps	-	25.17	-	-	-	25.17
Electrical Installation	60.88	9.72	60.94	135.58	89.74	356.86
Solar System	-	-	114.57	-	-	114.57
Other office Equipment's	0.86	-	1.64	4.41	1.38	8.29
Furniture's & Fixtures-Other than Trolley	8.95	92.93	81.03	79.61	202.96	465.48
Furniture & Fixtures-Trolley	-	17.69	26.53	-	-	44.22
X Ray Baggage System	74.10	55.84	-	-	72.25	202.19
CFT & Fire Fighting equipment	-	0.13	-	-	-	0.13
Aero Additions proposed by AAI	611.77	715.38	2,586.08	2,183.33	3,003.12	9,099.67

Recap of decision taken by the Authority for Opening RAB & Aeronautical Capital Additions at the time of tariff determination for the Second Control Period:

2.4.4 The Authority vide its decision no. 4. & 5 of order No. 15/2017-18 dated 30th October 2017 decided the following with respect to Opening Aeronautical RAB and additions for Second Control Period:

- *Decision no. 4.a.: The Authority decides to consider the Opening Regulatory Base for the Second control period under hybrid till as Rs 80.03 crores.*
- *Decision no. 5.a.: The Authority decides to consider allowable project cost of Rs.374.3 crores and accordingly reckon the amount of Rs.374.5 crores as addition to total assets during the 2nd Control Period.*
- *Decision no. 5.b.: The Authority directs AAI to undertake user stakeholder consultation process for major capital expenditure items as per the guidelines.*



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- *Decision No.5. c.: The Authority decides to true up the opening RAB of the next control period depending on the capital expenditure incurred and date of capitalization of underlying assets in the given year*

Authority's examination of Regulatory Asset Base for the Second Control Period as part of Consultation Paper:

Opening Regulatory Asset Base for FY 2016-17

- 2.4.5 The Authority had noted that the opening RAB reported by AAI was higher than the approved RAB as computed in the Second Control Period Order. Upon examination, the Authority had noted a difference amounting to Rs. 209.50 Lakhs between the approved RAB in Second Control Period Order and Opening RAB submitted by AAI. The Authority had noted that this difference was due to inclusion of WDV of financing allowance (as on 1st April 2016) amounting to Rs. 209.50 Lakhs attributed to the First Control Period (FCP) in the opening RAB of FY 2016-17.
- 2.4.6 The Authority had noted that the Financing allowance was not included by AAI in its earlier submission and has been included only now as part of RAB in the current MYTP submission. The Authority had proposed to deduct the Financing allowance added in the Opening RAB since the provision for financing allowance was not proposed by AAI in the earlier control period and not approved by the Authority. The Authority had proposed to exclude the same from the computation of ARR.
- 2.4.7 The Authority had also noted that AAI has included an additional sum of Rs. 58.32 Lakhs in the true up calculation for the Second Control Period. The Authority had noted that this amount pertained to cumulative impact of depreciation and return on RAB along with carrying cost on the financing allowance of First Control Period. AAI has submitted that this amount has been added because the Financing allowance was not included in the RAB in its FCP true up submission.
- 2.4.8 The Authority after considering the above, had proposed to consider the below Opening RAB for true up of the Second Control Period.

Table 18: Opening RAB proposed to be considered for true up of the Second Control Period by the Authority

(Rs. in Lakhs)		
Particulars	Ref	Value as on 01.04.2016
Building-Terminal	A	5,416.06
Plant & Machinery	B	352.15
Tools & Equipment's	C	215.12
Electrical Installation	D	1,656.00
Furniture's & Fixtures	E	117.70
X Ray Baggage System	F	190.05
CFT equipment, Computers etc	G	55.99
Total	H=Sum (A- G)	8,003.06

Cargo Assets

- 2.4.9 The Authority had noted that assets relating to Cargo activities were part of Opening RAB in the MYTP submission. The Authority subsequently obtained the details of Cargo assets from AAI. These have been specifically excluded from RAB from the opening balance of FY 2017-18 and from additions thereon, as the business was transferred to AAICLAS from FY 2017-18.



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Capital Additions for Second Control Period

2.4.10 The Authority had analyzed the total capital additions submitted by AAI for the true-up of the Second Control Period. For the purpose of this analysis, the Authority had reconciled the Capital additions as approved in the Second Control Period order and actuals as submitted in the MYTP by AAI, summary of which is provided below:

Table 19: Reconciliation of Additions (on total basis) allowed in Second Control Period Order and Actuals incurred by AAI at Pune International Airport

(Rs. in Lakhs)		
Particulars	Ref	Amount
Additions as per Second Control Period Order	A	40,523.11
Cargo related assets additions considered in Second Control Period order now excluded	B	37.72
Capital Expenditure proposed in Second Control Period but later, based on nature, classified as Repairs & Maintenance cost	C	39.97
Projects whose capitalisation is deferred to Third Control Period	D	38,085.41
Net reduction in cost between additions approved in the SCP order and incurred by AAI	E	419.85
Net Additions	F=A-Sum(B:E)	1,940.16
Cargo assets forming part of Additions for Second Control Period (Refer Note 2 below)	G	74.24
Capital additions incurred in the Second Control Period but not approved in the Second Control Period order (Refer Note 3 below)	H	6,874.08
Total	I=F+G+H	8,888.48
Financing Allowance (including FA for FY21)	J	212.95
Total Additions proposed by AAI in true up of Second Control Period	K=I+J	9,101.43

Note:

- The above reconciliation has not been submitted by AAI but has been prepared by AERA after considering various details and clarifications provided by AAI as part of review of MYTP of Third control Period.
- Refer discussion on item G in succeeding paras. These are not considered as additions to RAB at the time of SCP Order.
- The above table includes FY 2020-21 values which are considered on an estimate basis and are not based on actuals.

2.4.11 In the subsequent paragraphs, the Authority had discussed the categories listed above in the same sequence which are as follows:

A. Additions considered in Second Control Period Order as given below:

Table 20: Total Assets considered by the Authority in the Second Control Period Order

(Rs. in Lakhs)			
Particulars	Ref	Year of Capitalization	Amount
New Terminal Building- Tensile Canopy	1	2020-21	919.18
New Terminal Building- Civil Work	2	2020-21	21,201.14
New Terminal Building- Aero-bridge	3	2020-21	1,831.00
New Terminal Building- Electrical Works	4	2020-21	14,134.09
Construction of Apron & Linked Taxi track	5	2018-19	1,779.15
Construction of Rigid Pavement Road	6	2017-18	39.97
Building Others	7	2017-18	229.34
Electrical Installation	8	2016-17	61.73
Furniture & Fixtures - Other than Trolley	9	2016-17	8.95
Other office Equipment	10	2016-17	12.90
Plant & Machinery	11	2016-17	305.67
Total	12=Sum (1:11)		40,523.11



- B. Cargo related assets considered in Second Control Period order now excluded:** The Authority had noted that the Cargo assets amounting to Rs. 37.72 lakhs were approved and decided to be considered as addition in Second Control Period Order. Since AAICLAS became a separate business entity from FY 2017-18 onwards, the same is not considered in capital additions of the Second Control Period.
- C. Capital Expenditure proposed in Second Control Period, but later, based on nature classified as R&M:** The Authority had noted that in the Second Control Period Order, an amount of Rs. 39.97 lakhs was approved towards construction of Rigid pavement road as shown in Table 20 reference no. 6. Upon enquiry, Authority was given to understand that this amount was charged off as civil repair works. This was done by AAI after considering the change in scope of work. Accordingly, the Authority had proposed to not consider the same as part of capital expenditure.
- D. Projects whose capitalisation is deferred to Third Control Period:** The Authority had noted that the capitalisation of the projects relating to the New Integrated Terminal Building of Pune International Airport, aerobridge, tensile canopy, etc. (Table 20 - reference no. 1 to 4) were postponed to the Third Control Period by AAI. The Authority had noted that this was due to the disruption caused by Covid-19 and is of the view that these circumstances are unusual and beyond the control of the Airport. The detailed analysis on the same had been included in the chapter on capital expenditure for the Third Control Period (refer Chapter 4).

E. Variance in cost (between additions approved and incurred):

- The Authority had noted that, out of the capital additions amounting to Rs. 40,523.11 lakhs approved in the Second Control Period Order, AAI commissioned approved projects amounting to Rs. 2,360.01 lakhs only. As against this approved project cost, AAI submitted a total spend of Rs. 1,940.16 lakhs thereby resulting in an overall reduction by Rs. 419.85 lakhs (Rs 2,360.01 – 1,940.16 lakhs).
- The net cost reduction of Rs.419.85 lakhs was due to following reasons:
 - Reduction of scope of work in construction of apron and link taxi track (resulting in reduction of Rs. 861.71 lakhs).
 - Actual incurrence of additional cost in other assets amounting to Rs. 465.04 lakhs.
 - As asset amounting to Rs. 23.19 lakh was not considered by AAI in its MYTP submission and Fixed Asset Register. Upon enquiry, AAI responded that this had been erroneously omitted and requested to consider the same as part of MYTP submission.
 - Detailed asset wise explanation has been listed below:

Table 21: Reasoning for variance between costs approved as part of Second Control Period Order and as submitted by AAI for true up

(Rs. in Lakhs)

S.No.	Asset Head	Description of the Assets	Approved	Incurred	Difference	Reasons for Variance given by AAI
1	Apron	Construction of Apron & Link Taxi Track	1,779.15	917.44	(861.71)	AAI had called for a tender for this project. The lowest tendering bid amount was



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S.No.	Asset Head	Description of the Assets	Approved	Incurred	Difference	Reasons for Variance given by AAI
						evaluated and approved. While it was estimated earlier by AAI that the amount would be around Rs. 1,779.15 lakhs, during the tendering process, AAI was able to reduce the cost.
2	Building-Terminal	Shifting of Structural Glazing Towards City Side & Airport Side Corridor of TB	153.00	315.11	162.11	Increase was due to additional scope of work of setting up Bullrads and glazing towards security area.
3	Plant & Machinery	Provision of BHS System	3.29	305.13	301.84	At the time of Second Control Period Order, the estimation submitted was only related to advertisement cost for Baggage Handling System and the estimation for provision of baggage handling had been missed out. Thus, the difference is due to actual incurrence of Baggage handling facility modification that had taken place in Terminal Building for improving passenger facility during the Second Control Period.
4	Plant & Machinery	Supply of Fibre Optic Surveillance Device	23.19	-	(23.19)	Supply of Fibre Optic Surveillance Device work was commissioned on 01.04.2016 but the same was missed to be accounted in Fixed Asset Register and hence not included herein. Based on an enquiry, AAI has requested the Authority to include the same.
5	Other Assets	Computers/Scanners/ CCTV etc.	401.39	402.48	1.09	Cost over-runs were due to actual tendered costs being slightly higher than the estimates.
Total			2,360.01	1,940.16	(419.85)	

- Based on the justifications for cost variances provided by AAI, the Authority had proposed to consider the same as submitted by AAI for true up of capital expenditure for Second Control Period.

G. Cargo Assets forming part of Additions: The Authority while examining, observed that the additions in the Second Control Period contained assets worth Rs. 74.24 lakhs pertained to Cargo activities which were not approved in Second Control Period Order. The same was considered by AAI in additions to RAB for the Second Control Period in the MYTP submission. The Authority had proposed to not consider it in additions of assets for the Second Control Period. (It may be noted that this amount is in addition to the amount described in item B in Table 19).

H. Capital additions incurred in Second Control Period but not approved in Second Control Period order:



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- The Authority had noted that AAI had capitalized assets worth Rs.3,876.72 lakhs during the period FY 2016-17 to FY 2019-20. AAI had further estimated that it would further add Rs. 2,997.36 lakhs for FY 2020-21. (Total – Rs. 3,876.72 lakhs + Rs. 2,997.36 lakhs = Rs. 6,874.08 lakhs)
- The list of the assets capitalized in FY 2016-17 to FY 2019-20 are given in **Annexure II**.
- Out of the above, listing of assets costing more than Rs. 40 lakhs together with the justifications provided by AAI is presented in the below table:

Table 22: Capital additions incurred in the Second Control Period but not approved in the Second Control Period Order

(Rs. in Lakhs)		
Description of the Assets	Amount	Justifications as provided by AAI
Apron Drive Glass Walled Passenger Boarding Bridges	1,166.13	Originally, there were 2 PBBs installed in the Terminal Building. Afterwards, AAI at CHQ level awarded work for 17 PBBs for different Airports. For Pune International Airport, 3 no. PBBs was awarded and installed and was done to facilitate passenger movement.
Cute (8), Cuss (12) Keyboard, Scanner (30)	190.34	Due to immense growth of passenger traffic during FY 2017-18 and thereafter additional CUTE (8), CUSS (12) Keyboard, Scanner (30) had to be procured for passenger facilitation and for operational requirements. This growth of passenger could not be envisaged during submission of proposed works in Second Control Period.
Mini Remote Operated Vehicle	178.03	Done to facilitate passenger movement.
Renovation of Toilet Block in Terminal Building	169.57	Due to immense growth of passenger traffic during FY 2018-19, there was urgent requirement of additional toilets and renovation of existing toilets for passenger facilitation and an operational requirement. This growth of passenger could not be envisaged during submission of proposed works in Second Control Period.
SITC of SCCTV System	147.69	This new CCTV System was procured for providing additional coverage.
SITC of 300Kwp Solar Power Plant at Pune	108.57	Solar power plant of 300kwp has been installed at Pune International Airport to help in reducing pollution, no noise, renewable energy and for savings in electricity cost.
Provision of 560 Tr Standby Water Chilling Plant	96.05	Existing 560TR plant became unserviceable and was beyond economical repairs. Hence, replacement was required to be done with a new plant of same capacity i.e., 560TR to avoid passenger complaints about poor air conditioning in Terminal Building.
SITC of Upgradation of CCTV	68.42	This CCTV procurement was done to replace old existing CCTV System due to end of their useful life. (Old System installed in 2013).
Hard Standing of Area Along VIP Entry Road	67.57	There was scarcity of ramp equipment area due to increased air traffic due to which new ramp equipment area was created through this work.
Procurement & Installation of X-Ray Machine	65.88	These X-Ray Machines were procured to replace Old XBIIS due to end of their useful life.
Provision of Way Finding Signage	63.47	Standard Airport Direction signage was required in Terminal Building as part of uniform guidelines issued by AAI and for better guidance to passengers.
SITC of E-Gate	61.87	E-GATE was procured for Immigration arrival passenger facilitation.
SITC of Public Electronics Toilet	50.98	There was no provision of toilets in the Apron area and in car park, resulting in serious inconvenience to the Airlines staff/loaders working in apron and also to the drivers of OLA/UBER, Auto, Taxi and visitors in the car park area. To mitigate this, the work was taken up.
Construction of Apron & Link Taxi Track: GLF Work	47.87	Civil department constructed new Apron and Link Taxi track to illuminate 3 nos high masts along with Taxi signages that have been provided. The work was taken up to park more Aircraft at Apron at Pune International Airport.
Flight Information System- Dynamic Signage for Immigration Counter	41.72	Dynamic signage was procured along with E-Gate for Immigration arrival passenger facilitation.



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Description of the Assets	Amount	Justifications as provided by AAI
Other Works (Below Rs. 40 Lakhs individually)	1,352.55	Refer Annexure II
Total	3,876.72	

**As per AERA guidelines 2011, Airport operator shall conduct consultation process with Airport User Consultative Committee (AUCC) on all major capital projects at AERA regulated airports. The major capital work was defined as capital investment projects that represent more than 5% of the value of Opening RAB or Rs. 50 crores whichever is lower. In Pune International Airport, major capital works exceeding Rs. 4 crores that are incurred/planned should be included in AUCC. Upon review of the minutes of the meeting presented by AAI for Second Control Period additions, the Authority had noted that consultation has been made for Apron Drive Glass Walled Passenger Board amounting to Rs. 11.66 crores.*

- The Authority had reviewed the above details and noted that most of these works were taken up to improve passenger facilities at Pune International Airport, which were not envisaged earlier.
- Capital Additions in FY 2020-21:** The Authority had analysed the Capital Additions amounting to Rs. 2,997.36 Lakhs for FY 2020-21. The Authority, while reviewing the additions in detail, observed that asset amounting to Rs. 2,500 lakhs (Body Scanners) was included in FY 2020-21 projection. This asset was actually planned for procurement in FY 2022-23 of Third Control Period for both Existing and New Terminal Building (for detailed note refer Para 4.2.29) and the cost of the other assets in this group is determined based on issuance of Award letters to the concerned parties. AAI had submitted that the procurement of such items would be completed before 31st March 2021. The Authority had sought evidence of addition which was not submitted by AAI. Hence, after deferring the said addition of Body scanners, the Authority had proposed to consider additions amounting to Rs. 497.36 lakhs (Rs. 2,997.36 – 2,500.00 lakhs) for FY 2020-21. Body scanners costing Rs 2,500.00 lakhs was proposed to be considered as additions in Third Control Period. Actuals additions for FY 2020-21 as per financials of Pune International Airport was proposed to be updated in the computation of ARR for true up of Second Control Period before the issue of the final tariff order.
- Based on the above, the Authority had proposed to consider the capitalization of Rs. 4,374.08 lakhs as per the detailed justifications and analysis for assets (Rs. 3,876.72 + 497.36 lakhs).

J. Financing Allowance:

- The Authority had noted that AAI had computed Rs. 212.95 Lakhs as Financing allowance on the asset additions capitalized in the Second Control period.
- Financing allowance had been computed by AAI considering a return equivalent to cost of debt during the period in which the assets were still in CWIP. This had led to addition of the financing allowance over and above the value of capitalized assets in the books of account of Pune.
- Giving an assured return on the equity investment even on the work in-progress assets would result in reducing the risks associated with equity investment in capital projects. Further, the airport operator is given a fair rate of return on equity when the capital assets are capitalized. Thus, the locked-up equity in the CWIP assets cannot be given the assured return of cost of debt.
- Further, the Authority had noted that in case of greenfield developments, the airport operator would have to wait for a considerable length of time before getting the return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalize. It was with this consideration that the Authority had earlier provided Financing allowance in initial stages to such airports. The Authority had noted that Pune International Airport is a brownfield airport and has lower construction and traffic risk.
- Therefore, the Authority had proposed that only the IDC, if any that gets capitalized would be considered as part of RAB. It may also be noted that financing allowance was never been provided in



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the case of other AAI airports. The Authority had proposed not to consider this amount in AAI's assets capitalized during the second control period.

- 2.4.12 Based on the above analysis, the Authority had proposed to consider total asset addition in the Second Control period of Rs. 6,337.43 Lakhs as presented below:

Table 23: Reconciliation of Additions proposed by Authority compared to estimate submitted by AAI

(Rs. in Lakhs)

Particulars	Amount	Remarks
Additions as per AAI in Second Control Period	9,101.43	
Supply of Fibre optic omitted in AAI submission	23.19	Cost amounting to Rs. 23.19 lakhs was incurred by AAI but inadvertently not considered as part of RAB which has been considered by the Authority
Cargo assets forming part of Additions for Second Control Period	-74.24	Cargo assets were forming part of actual additions from FY2017-18 in the MYTP submissions, excluded by the Authority.
Capital additions considered in FY 2020-21 deferred to Third Control Period (Body Scanners)	-2,500.00	Body scanners of Rs. 2,500 lakhs additions proposed in FY2020-21 has been postponed to FY2022-23
Financing Allowance (including FA for FY21)	-212.95	Not considered as explained above
Total	6,337.43	

Allocation of Assets between Aeronautical & Non-Aeronautical in the Second Control Period as a part of Consultation Paper

- 2.4.13 For the opening RAB, AAI used the Aeronautical allocation percentages that the Authority had decided in the tariff order for the Second Control Period.
- 2.4.14 For the purposes of segregation of assets capitalized in the Second Control Period, AAI divided its assets into three components – Aeronautical, Non-Aeronautical and Common. Common assets were further apportioned into Aeronautical and Non-Aeronautical by applying the ratios as shown below:

Table 24: Comparison of Allocation ratios as approved by the Authority in Second Control Period Order and as submitted by AAI

S. No.	Allocation Ratio	Approved by Authority in Second Control Period Order	As per AAI				
			FY 17	FY 18	FY 19	FY 20	FY 21
1	Terminal Building Ratio (TBLR)	91.37%	91.76%	91.30%	90.27%	90.46%	93.59%
2	Employee Head Count Ratio (EHCR)	97.00%	96.73%	97.93%	98.78%	96.58%	96.60%
3	Admin Ratio (AR)	97.86%	97.86%	97.86%	97.86%	97.86%	97.86%

- 2.4.15 Terminal Building Ratio: The Authority had noted that the Terminal Building Ratio (TBLR) as per the MYTP submission was changing on an annual basis. Since, Pure International Airport has not witnessed capitalization/added new areas in the terminal buildings, the TBLR is unlikely to undergo any changes. Thus, the Authority had proposed to use the approved TBLR as decided in the Second Control Period Order.
- 2.4.16 Admin Ratio: The Authority had noted that there is an admin building in which Airline offices have been allocated. The aeronautical area in Admin building in Second Control Period order was computed to be



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97.86%. On perusal of the capital additions during the Second Control Period, it was observed that modification in this building had taken place to provide more office space to Airlines. Accordingly, the admin ratio ought to have undergone a change. However, since the impact of same is expected to be minimal, the Authority had proposed to follow the ratio as adopted in the Second Control Period Order i.e., 97.86%.

- 2.4.17 Employee Ratio has been discussed under Para 2.8.8 of True up of Operating expense.
- 2.4.18 Thus, the Authority had proposed to use the TBLR, EHCR & AR allocation ratios as discussed above in the Second Control Period to segregate the value of common assets.
- 2.4.19 The Authority had observed that assets such as Motorized Hydraulic Ladder for Hanger & Street and Biometric Attendance which were capitalized during FY 2016-17 to FY 2020-21 as per the Fixed Asset Register were the only assets classified as Common by AAI and all other assets were considered as Aeronautical. However, the Authority had reviewed the individual line items and reclassified the asset based on location and nature of asset. Due to this, the aeronautical asset value for Second Control Period was reduced by Rs. 105.50 Lakhs. The following table presents the head wise comparison and Annexure III provides individual line items of change in classification of asset.

Table 25: Classification of Assets as per AAI and as proposed by the Authority

(Rs. in Lakhs)

Particulars (I)	Original cost (II)	AAI		As per AERA		Difference (VII)
		Aero ratio (III)	Aero cost (IV)	Aero ratio (Refer Note 1) (V)	Aero Cost (VI)	
Building-Others	847.12	100.00%	847.12	91.76%	777.30	69.82
Building-Terminal	93.32	100.00%	93.32	91.37%	85.27	8.05
CFT & Fire Fighting equipment	0.13	100.00%	0.13	100.00%	0.13	-
Computer & Package -Intangible Assets	12.86	100.00%	12.86	59.64%	7.67	5.19
Computer & Peripheral-End User	80.25	100.00%	80.25	96.42%	77.38	2.87
Computer & Peripheral-Server and Networks	36.26	100.00%	36.26	100.00%	36.26	-
Electrical Installation	431.92	100.00%	431.92	98.71%	426.34	5.58
Furniture & Fixtures-Other than Trolley	464.36	100.00%	464.36	97.92%	454.68	9.68
Furniture & Fixtures-Trolley	44.22	100.00%	44.22	100.00%	44.22	-
Other office Equipment	6.75	98.61%	6.65	97.28%	6.56	0.09
Other Vehicles	211.17	100.00%	211.17	100.00%	211.17	-
Plant & Machinery	2,456.65	99.93%	2,454.98	99.77%	2,450.96	4.03
Runways, Taxiways, Aprons	933.08	100.00%	933.08	100.00%	933.08	-
Solar Photovoltaic System	108.57	100.00%	108.57	100.00%	108.57	-
Tools & Equipment	416.07	100.00%	416.07	100.00%	416.07	-
Vehicle- Cars & Jeeps	25.17	100.00%	25.17	99.22%	24.98	0.20
X Ray Baggage System	146.35	100.00%	146.35	100.00%	146.35	-
Grand Total	6,314.24 (Refer Note 2)		6,312.48		6,206.98	105.50

Note:

1. Allocation of assets into aero common and non-aero has been carried out on a line by line basis on the additions proposed to be considered by the Authority of the Second Control Period. Sum total of Aero portion arising out of this exercise is captured in column no. VI of Table above. Aero ratio indicated in column no. V of table above is the ratio computed considering the Aero cost arrived in Column VI to the total cost in column no. II



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2. The Original cost of AAI capital additions as submitted in MTP was Rs. 9,101.43 lakhs which contains Financing Allowance of Rs. 212.95 Lakhs, Cargo assets of Rs. 74.24 lakhs and Body scanners amounting to Rs. 2500 lakhs (Rs. 9,101.43-212.95-74.24-2500 = Rs. 6314.24 lakhs; Amount as per Table 23 is Rs. 6,337.43 Lakhs, the difference of Rs.23.19 lakhs is explained in Para E of 2.4.11).

Total Aeronautical Capital Additions considered by the Authority for true-up of the Second Control Period as a part of Consultation Paper

2.4.20 Based on the above analysis, the Authority had proposed to consider the following aeronautical capital additions for the true-up of the Second Control Period:

Table 26: Aeronautical capital addition proposed to be considered for true up of the Second Control Period by the Authority as part of Consultation Paper

(Rs. in Lakhs)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Aero Additions proposed by AAI (A)	611.77	715.38	2,586.08	2,183.33	3,903.12	9,899.67
Less: Financing Allowance						212.95
Less: Reclassification of assets from Aero to Common/Non-Aero depending on change in the allocation ratios						*105.50
Add: Asset erroneously not considered by AAI added by the Authority (Refer Para E of 2.4.11)						23.19
Less: Cargo Assets additions not taken from FY18						74.24
Less: Body scanner deferred to Third Control Period assets additions						2,500.00
Total (B)						2,869.51
Grand Total (C=A-B): Aero Additions to RAB as per Authority						6,230.17
Category wise Aero Additions proposed by Authority	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Rutways, Taxiways, Aprons	-	-	917.44	15.64	-	933.08
Building-Terminal	-	-	-	39.20	46.07	85.27
Building-Others	77.07	287.92	272.21	95.77	44.33	777.30
Computer & Peripheral-End User	13.96	14.61	34.53	14.28	-	77.38
Computer & Peripheral-Server and Networks	-	-	-	36.26	-	36.26
Computer & Package -Intangible Assets	-	1.48	6.18	-	-	7.67
Plant & Machinery	327.92	89.77	682.30	1,348.79	25.38	2,474.15
Tools & Equipment's	47.11	0.40	-	366.49	2.06	416.07
Other Vehicles	-	-	199.84	11.33	-	211.17
Vehicle- Cars & Jeeps	-	24.98	-	-	-	24.98
Electrical Installation	58.45	40.90	106.55	130.71	89.74	426.34
Solar System	-	-	108.57	-	-	108.57
Other office Equipment's	0.84	-	-	4.38	1.35	6.56
Furniture's & Fixtures-Other than Trolley	-	92.54	79.71	79.46	202.96	454.68
Furniture & Fixtures-Trolley	-	17.69	26.53	-	-	44.22
X Ray Baggage System	74.10	-	-	-	72.25	146.35
CFT & Fire Fighting equipment	-	0.13	-	-	-	0.13
Total (C)-Aero Additions proposed by Authority	599.44	570.41	2,433.88	2,142.31	484.13	6,230.17

Stakeholders' comments on true up of Regulatory Asset Base for the Second Control Period

2.4.21 During the stakeholders' consultation process, the Authority received comments/views from stakeholders in response to the proposals of Authority in the Consultation Paper No. 26/2021-22 with respect to the true



up of Regulatory Asset Base for the Second Control Period. The comments by stakeholders are presented below:

AAI's comments regarding true-up of Regulatory Asset Base for the Second Control Period

2.4.22 AAI's comment regarding disallowance of Financing Allowance is as follows:

"AERA's Contentions

Reference is invited to para 2.4.20-K of the CP which stated as follows:

- *"The Authority noted that AAI has computed Rs. 212.95 Lakhs as Financing allowance on the asset additions capitalized in the Second Control period.*
- *Financing allowance has been computed by AAI considering a return equivalent to cost of debt during the period in which the assets were still in CWIP. This has led to addition of the financing allowance over and above the value of capitalized assets in the books of account of Pune.*
- *Giving an assured return on the equity investment even on the work in-progress assets would result in reducing the risks associated with equity investment in capital projects. Further, the airport operator is given a fair rate of return on equity when the capital assets are capitalized. Thus, the locked-up equity in the CWIP assets cannot be given the assured return of cost of debt.*
- *Further, the Authority notes that in case of greenfield developments, the airport operator would have to wait for a considerable length of time before getting the return on the large capital outlay incurred by it as these projects take longer durations to commission and operationalize. It was with this consideration that the Authority had earlier provided Financing allowance in initial stages to such airports. The Authority notes that Pune International Airport is a brownfield airport and has lower construction and traffic risk.*
- *Therefore, the Authority proposes that only the IDC, if any that gets capitalized would be considered as part of RAB. It may also be noted that financing allowance has never been provided in the case of other AAI airports. The Authority proposes not to consider this amount in AAI's assets capitalized during the second control period."*

AAI's Submission

- *Direction 5 of AERA (which entails the methodology of aeronautical tariff determination) allows Airport operators to be eligible for Financing Allowance as a return on the value invested in construction phase of an asset including the Equity portion, before the Asset is put to use.*
- *The concept of Financing Allowance, its computation and how the Work in Progress Asset includes the Financing Allowance is provided in Paragraph 5.2.7 of the Direction No.05-2010-11. Extract of the same is provided below:*

"5.2.7. Work In Progress assets (a) Work in Progress Assets (WIPA) are such assets as have not been commissioned during a Tariff Year or Control period, as the case may be. Work in Progress assets shall be accounted for as:

WIPAt = WIPAt-1 + Capital expenditure + Financing allowance – Capital receipts of the nature of contributions from stakeholders (SC) - Commissioned Assets (CA)

Where:

WIPAt = Work in progress Assets at the end of Tariff Year t

WIPAt-1 = Work in progress Assets at the end of the Tariff Year t-1



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Capital Expenditure= Expenditure on capital projects and capital items made during Tariff Year *t*.

The Financing allowance shall be calculated as follows:

$$\text{Financing Allowance} = R_d \times \left(\text{WIPA}_{t-1} + \frac{\text{Capex} - \text{SC} - \text{CA}}{2} \right)$$

Where

R_d is the cost of debt determined by AERA according to Clause 5.1.4.

SC are capital receipts of the nature of contribution from stakeholders (including capital grants and subsidies) pertaining to the capital expenditure incurred in Tariff year *t*.

CA are Commissioned Assets which pertain to the accumulated value of the WIPA attributable to all assets that have been put into effective operation during Tariff Year *t*.

- AERA has further provided an Illustration on Page 28 detailing the working. The extract of the illustration is as under:

Illustration 7: The following example illustrates this approach for calculation of Work in progress assets, financing allowance and commissioned assets. The numbers in the illustration have been rounded to the nearest integers.

Forecast Work in Progress Assets		Year 1	Year 2	Year 3	Year 4	Year 5
Opening WIP: WIPA _{t-1}	0	-	-	500	500	-
Capital Expenditure	CE	200	300	-	-	-
Financing Allowance	FA = R _d × (OW + (CE - CA - SC)/2)	-	30	80	40	-
Capital Receipts	SC	-	-	-	-	-
Commissioned Assets	CA	-	200	-	400	-
Closing WIP: WIPA _t	CE + OW + CE - FA - SC - CA	200	300	500	500	-

- The cost of debt, *R_d*, used for calculation of financing allowance, is the cost of debt determined by the Authority under Clause 5.1.4.
 - The example illustrates that those assets, which have been acquired or commissioned within the same Tariff Year (i.e. Tariff Year 1), have been included both in Capital Expenditure and Commissioned Assets.
 - The value of commissioned assets, as calculated, shall be used for forecasting RAB for the Control Period.
- Further, Para 5.2.5 of Direction No. 05 details the forecasting of RAB wherein the commissioned assets (including the Financing Allowance on the assets, when it was in Work in Progress stage) has been added to RAB and forms part of the closing and average RAB workings. The Illustration 4 in Page 23 is given below:

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		Forecast RAB					
		2019-21	Tariff Year 1	Tariff Year 2	Tariff Year 3	Tariff Year 4	Tariff Year 5
Opening RAB _{t-1}	OR	22,750	20,500	18,826	16,452	13,998	12,277
Commissioned Assets	CA	-	611	-	-	611	-
Depreciation	DR	2,250	2,307	2,364	2,364	2,402	731
Disposals	DI	-	-	-	100	-	-
Incentive Adjustments	IA	-	-	-	-	-	-
Closing RAB _t	CR=(OR+CA-DR+DI+IA)	20,500	18,826	16,463	13,898	12,277	11,547
RAB for calculating ARR	RA=(OR+CR)/2	-	19,663	17,644	15,220	13,138	11,922

- The Clause (d) of Para 5.2.6 defines Commissioned Assets as below:
"Commissioned Assets: Represents investments brought into use during Tariff Year t, consistent with Clause 5.2.7 herein below."
- Thus, from the above clauses it is clear that the Financing Allowance is computed on the Work in Progress balance based on Capital Expenditure incurred which is funded by Equity/Internal accruals and is capitalized as part of Commissioned assets for RAB Computation. In the case of AAI, financing allowance is computed on the equity portion and IDC is computed on the debt portion of the capital spend.
- Thus, Direction 5 provides an explicit, detailed elaboration of Financing allowance. Manner and formulae of computation and addition of the "commissioned assets" into RAB including the Financing allowance are elucidated in detail with examples is contained in the same Direction.

The regulatory principles laid down by AERA and based on which the tariff orders are determined provide a fundamental foundation of the regulatory clarity to the stakeholders on the manner in which different components of costs and revenues are treated. Following are the examples and extracts of inclusion of financing allowance in RAB by AERA in various Orders:

- **CIAL Third Control Period Order:** Vide para 4.4.52 of CIAL order for third control period, for true up of Second Control Period, AERA noted that, in the tariff order for the Second Control Period, it was decided that FA would be true up based on the final capex. In its MTTP submission, CIAL had proposed an addition of Rs. 11.9 crores in FY 2021 only as Financing Allowance for true up of Second Control Period. Accordingly, AERA recomputed FA based on actual WIP capitalized and allowed for inclusion in the Order.
 - **BIAL Third Control Period Order:** Vide para 3.3.78 of BIAL Order for the third control period, AERA has agreed to allow the financing allowance for the second control period.
 - Financing allowance was approved and given by AERA in the First and Second Control period for BIAL and in second control period order of CIAL.
 - **MIAL and DIAL:** It is further to be noted that MIAL and DIAL are governed by tariff determination principles set forth in SSA and OMDA. SSA and OMDA do not contain the concept of financing allowance. Hence, AAI submits that these 2 airports are not comparable with AAI airports.
- AAI's Request**
- The AERA Act requires AERA to consider "timely investment in improvement of airport facilities"; and "economic and viable operation of major airports". The statement of objects and reasons of the AERA Act



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requires Authority to encourage investment in airport facilities, create a level playing field and foster healthy competition. The Airports Infrastructure Policy of 1997 and NCAP 2016 also emphasize the need to provide a commercial orientation and encourage private sector participation in the airport sector.

- Financing allowance computation is fully in compliance with Direction 5, affirmed by Authority in its various Orders in the past.
- Based on the above submissions, AAI submits that by non-consideration of Financing allowance is not in line with AERA guidelines. Further, allowing Financing allowance for private airports and not for AAI airports vitiates the principle of laying a level playing field for all airports – public or private in India and AAI airports would be denied of revenues that they are rightfully entitled to.
- It is to be noted that AAI has started making capital expenditure for Construction of New integrated Terminal Building at Pune Airport from F.Y. 2018-19 whereas, AERA has mentioned that "Pune International Airport is a brownfield airport and has lower construction and traffic risk". The building will be completed in the F.Y. 2022-23 amounting to Rs. 500 crores (approximately). It includes both Term Loan and Internal accruals.
- AAI therefore requests AERA to consider the financing allowance of Rs. 2.12 crores computed for Second Control Period additions. Further, AAI requests AERA to also consider these additions by way of financing allowance for depreciation computation and return on RAB accordingly."

2.4.23 AAI's comments on allocation ratios for additions in the Second Control Period is as follows:

"AERA's Contentions

- Reference is invited to para 2.4.14 of the CP which stated as follows: "The Authority notes that the Terminal Building Ratio (TBLR) as per the MYTP submission is changing on an annual basis. Since, Pune International Airport has not witnessed capitalization/added new areas in the terminal buildings, the TBLR is unlikely to undergo any changes. Thus, the Authority proposes to use the approved TBLR as decided in the Second Control Period Order.
AERA proposed to consider the ratio of 91.37% : 8.63% (Aero : Non-aero) for common assets within the Terminal building during the Second Control Period."

AAI's Submission:

- AERA proposed to consider the ratio of 91.37% : 8.63% (Aero : Non-aero) for common assets within the Terminal building during the Second Control Period.
- AAI submits that the ratios submitted are based on actual floor space usage and considering the ratio of Second Control Period i.e. 91.37% : 8.63% (Aero : Non-aero) by comparing with other airports/generally accepted ratios may not reflect the true ground scenario in Pune Airport.
- Detailed workings for all the aeronautical ratios applied for various assets was submitted during MYTP stage to AERA for its perusal.
- In Second Control Period order, the ratio of 91.37% for TBLR was based on actuals of 2015-16. Same has submitted on actual basis for the period from 2016-17 to 2020-21.
- The design capacity for commercial activities at the existing Terminal Building comes out to 6% (approx.).
- Considering the fact that true up of the ratio, AAI has submitted the aero ratio working based on actual aero additions for Second Control Period.

AAI's Request:

- AAI requests AERA to consider the ratios as given in MYTP."



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2.4.24 AAI comments on reclassification of assets in Aero, Non-Aero and Common Assets in the Second Control Period is as follows:

AERA's Contentions

- Reference is invited to para 2.4.18 of the CP which stated as follows: "Head wise comparison and Annexure IV provides individual line items of change in classification of asset."

AAI's Submission

- AAI does not agree with the reclassification of assets as give in CP Annexure-IV for the following assets:-

Particulars	Amount in Lakhs	AERA consideration	AAI Consideration
Provision of Epoxy & Antistatic Flooring at Substation - completed in 2016-17	25.85	common	Aero asset
Shifting of Structural Glazing Towards City side - completed in 2017-18	315.11	common	Aero asset
Const. of Connecting Corridor to Link SHA-1	22.06	common	Aero asset

AAI's Request

- In view of the above, AAI request the Authority to consider the above assets as Aeronautical assets for determination of tariff."

Authority's analysis on Stakeholders' comments regarding true-up of Regulatory Asset Base for the Second Control Period

Financing Allowance:

2.4.25 The Authority has carefully examined the comments of AAI on financing allowance. The Authority states the following:

2.4.26 Providing return on capital expenditure from the very beginning of construction will significantly lower the risks for an airport operator and may require revisiting the return on equity allowed to airport operators. Further, this will disincentivize the airport operator from ensuring a timely completion of projects and delivery of services to airport users. Therefore, the Authority is of the view that a return should be provided only when the assets are made available to the airport users except in the case of certain costs like IDC that will have to be incurred in case debt is used for funding of projects.

2.4.27 Developments at greenfield airports inherently take longer durations to commission and operationalize. Thus, airport operators would have to wait for a considerable duration before getting returns on large capital projects. Keeping this in view, the Authority had earlier provisioned for financing allowance in initial stages to such airports. It may be further noted that the Authority has never provided financing allowance in the case of brownfield airports. Further, financing allowance for greenfield airports of BIAL, HIAL, CIAL etc. was allowed only for the initial stages of their development. The Authority notes that Pure International Airport, being one of the airports that was developed more than 40 years ago in India, would not be eligible for such an allowance on the equity portion of newly funded capital projects.



- 2.4.28 Financing Allowance is a notional allowance and different from interest during construction. Therefore, the provision of Financing Allowance on the entire capital work in progress would lead to a difference between the projected capitalization and actual cost incurred, especially when the Airport Operator funds the projects through a mix of equity and debt.
- 2.4.29 AERA Guidelines, 2011 does not specifically state that financing allowance is to be provided on both equity and debt portion of the capital expenditure. On the other hand, it does give the Authority the mandate to consider any relevant factors for exclusion or inclusion of assets.
- 2.4.30 In view of the above, the Authority is of the view that there is no reason to deviate from the proposal made by it regarding Financing Allowance in Consultation Paper No. 26/2021-22 and has decided to provide Financing Allowance only on the debt portion of project funds. Therefore, the Authority sees no merit in AAI's contention.

Allocation Ratios:

- 2.4.31 The Authority has carefully examined the comments of AAI on allocation ratios. The Authority reiterates that it has not adopted the TBLR ratio by comparing with other airports/generally accepted ratios as contended by AAI. It may be seen from para 2.4.15 that the Authority has used 91.37%-TBLR ratio, that was adopted/approved during the Second Control Period Order for the reasons already mentioned in the para referred to above. Further, AAI has not provided details/supporting for the design capacity of 6% as provided in the comments.
- 2.4.32 The Authority also notes that AAI has stated that it requires a different ratio for the Second Control Period from the one approved in the Second Control Period order whereas for the Third Control Period, AAI is asking for the ratio approved in Second Control Period Order (Refer para 4.6.5 of this Order). These sets of statements only reiterate the fact that the ratio adopted in the Second Control Period Order is acceptable to AAI. In view of the above, the Authority finds no reason to change its stand of adopting the TBLR determined for the Second Control Period during the consultation stage.

Reclassification of assets in Aero, Non-Aero & Common assets:

- 2.4.33 The Authority has noted AAI's comments on reclassifying the assets (as mentioned in para 2.4.24) as aeronautical. The Authority notes that no justification has been provided by AAI detailing the purpose for treating the said assets as aeronautical. In the absence of any explanation, the Authority is not in a position to evaluate the same to treat these assets as aeronautical. The Authority is also of the view that classification methodology adopted is in line with the independent studies conducted at different airports and therefore decides to continue with the classification proposed in the consultation paper for the assets mentioned in the comments of AAI.

AAI's submission of actual capital additions for FY 2020-21

- 2.4.34 As stated earlier, the Authority had sought the actual capital additions at Pune International Airport from AAI during the consultation process. The same was submitted to the Authority vide AAI's email "In the matter of Determination of Tariff of Pune International Airport for Third Control Period (01.04.2021 to 31.03.2026) and True-up of Second Control Period (01.04.2016 to 31.03 .2021) - Updation of Actuals for the F.Y. 2020-21- Reg." dated 24th December 2021.



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2.4.35 AAI submitted actual aeronautical capital additions for FY 2020-21 of Rs. 447.86 lakhs.

Authority's examination of the actual capital additions for FY 2020-21

2.4.36 The Authority has reviewed the actual aeronautical capital additions submitted by AAI for FY 2020-21. The Authority notes that majority of the actual capital additions for FY 2020-21 submitted by AAI are either incurred due to BCAS guidelines or in order to maintain the operational efficiency of the airport. Thus, the Authority after analysis decides to consider the capital additions proposed by AAI after applying the appropriate classification and allocation ratios as detailed in para 2.4.14. After analyzing the same, the Authority decides to consider the aeronautical additions for true-up of the Second Control Period for FY 2020-21 as Rs. 439.18 lakhs (Gross addition for FY 2020-21 being Rs. 447.86 lacs). Thus, the summary of additions projected by the Authority at CP stage, actual additions as submitted by AAI and additions decided by the Authority for FY 2020-21 is given as below:

Table 27: Projected figures considered in Consultation Paper and actual figures of FY 2020-21 decided by the Authority

(Rs. in lakhs)				
Particulars	Additions Projected by AERA at CP stage	Actual additions for FY 21 submitted by AAI	Additions decided by the Authority	Note No.
Aeronautical Capital additions estimated and actuals for FY 2020-21 by the Authority (Refer Table 26) (A)				
Chairs (Projection by CHQ)	190.00		-	1
CWIP-Shifting IT/Existing Ahuz at New Location	86.38	91.22	91.22	
CWIP SITC of 165 Dv Hb and Rb XBIS at Pune	72.25	73.56	73.56	
Tensile Canopy Towards East Side	28.48	48.22	44.06	
06 Nos of Digital Signage Displays Pune	22.52	22.52	22.52	
Modification in SHA-2	17.59	18.56	16.96	
Provision of Vestibule, Partition, Boarding Gates Pun	18.86	21.62	21.62	
SITC Sewage Treatment Plant 70 Kld Capacity Pune	18.23	18.23	18.23	
1st and Final Bill-Supply of Trio Dustbins Pune	12.96	12.96	12.96	
Const. of Rec Tank for Install of STP at Pune	7.24	7.24	7.24	
Installation of Papi Units at Pune Airport	2.81	2.81	2.81	
SITC of Pese Points & Custom XBIS CCTV Pune	2.70	2.70	2.70	
Supply of Buller Resistant Helmets 1926 No.	2.06	2.06	2.06	
Procurement of Wireless Access Points at Pune	0.81	0.81	0.81	
Purchase of Digital Screen for Project Office NTB	0.53	0.57	0.53	
Supply of Rechargeable Safety Hand Torch Pune	0.54	0.54	0.54	
Vending Machine Tea/Coffee at Pune Airport Qty 3	-	0.42	-	
Nit Cost-Bomb Suits	0.16		-	1
Sub Total (A)	484.13	324.05	317.83	
Additional capital expenditure submitted by AAI for FY 2020-21 (B)				
Creation of New Custom Room Enclosure for X-Ray	-	3.22	3.22	2
SITC of 09 Nos of Counter Communication System	-	0.61	0.56	



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Particulars	Additions Projected by AERA at CP stage	Actual additions for FY 21 submitted by AAI	Additions decided by the Authority	Note No.
Procurement of Desktop Laps and MS office	-	2.89	2.71	
SITC of Augmentation of Security System	-	28.46	26.72	
Supply of Computers Contingency NITB Pune	-	1.25	1.18	
Hard Disk for CCTV System - Mi Room	-	0.08	0.08	
Supply of M.S office Standard 2019 Project office	-	0.52	0.49	
SITC of Organic Waste to Compost Machine 250 Kg	-	4.74	4.74	
Provision of Temperature and Humidity Sensors	-	2.50	2.50	
Touch Free Drinking Water Fountain, Water Filter	-	8.25	8.25	
Supply of Furniture for Project office	-	6.40	6.01	
Supply of 100 Airport Terminal Chairs	-	64.80	64.80	
Sub Total (B)	-	123.81	121.35	
Aeronautical Capital for FY 2020-21 considered by the Authority (A + B)	484.13	447.86	439.18	3

Notes:

1. Capital additions deferred to Third Control Period has been discussed in Chapter 4.
2. Majority of the additional capital additions for FY 2020-21 submitted by AAI, have been undertaken to fulfil the security and/or operational requirements at Pune International Airport.
3. The difference between actual additions submitted by AAI i.e. Rs. 447.86 lakhs and decided by the Authority i.e. Rs. 439.18 lakhs is due to reclassification of assets using ratios defined in para 2.4.14.

2.4.37 In view of the above, the summary of Aeronautical additions decided by the Authority for True up of Second control period is as follows:

Table 28: Aeronautical Additions for true up of the Second Control Period decided by the Authority

(Rs. in Lakhs)

Additions	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	-	-	917.44	15.64	-	933.08
Building-Terminal	-	-	-	39.20	64.24	103.44
Building-Others	77.07	287.92	272.21	95.77	47.09	780.07
Computer & Peripheral-End User	13.96	14.61	34.53	14.28	31.25	108.63
Computer & Peripheral-Server and Networks	-	-	-	36.26	-	36.26
Computer & Package -Intangible Assets	-	1.48	6.18	-	0.49	8.15
Plant & Machinery	327.92	89.77	682.30	1,348.79	25.22	2,473.99
Tools & Equipment's	47.11	0.40	-	366.49	2.06	416.07
Other Vehicles	-	-	190.84	11.33	-	211.17
Vehicle- Cars & Jeeps	-	24.98	-	-	-	24.98
Electrical Installation	58.45	40.90	106.55	130.71	110.07	446.68
Solar System	-	-	108.57	-	-	108.57
Other Office Equipment's	0.84	-	-	4.38	1.35	6.56
Furniture's & Fixtures-Other than Trolley	-	92.54	79.71	79.46	83.86	335.57
Furniture & Fixtures-Trolley	-	17.69	26.53	-	-	44.22
X-Ray Baggage System	74.10	-	-	-	73.56	147.66
CFT & Fire Fighting equipment	-	0.13	-	-	-	0.13



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Additions	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Total	599.44	570.41	2,433.88	2,142.31	439.18*	6,185.22

*Note: Refer Table 27 for explanation of difference in actual figures of FY 2020-21 vis projected figures considered by the Authority in Consultation Paper

2.5 True up of Depreciation

AAI's submission of Aeronautical Depreciation for the Second Control Period

- 2.5.1 AAI has submitted that depreciation has been calculated based on AERA approved rates in the tariff order of the Second Control Period till FY 2020-21. The useful lives considered by AAI is summarized in the following table:

Table 29: Useful life considered by AAI based on Second Control Period Order

S.No.	Asset Class	Useful life in years
1	Runways, Taxiways, Aprons	30
2	Roads, Bridges & culvert	30
3	Terminal/Other Buildings	30
4	Building - Residential	30
5	Security Fencing	3
6	Computer, IT Hardware & Access	6
7	Computer Software	5
8	Plant and Machinery	15
9	Tools & Equipment	15
10	Other Vehicles	8
11	Electrical Installations	10
12	office Equipment	5
13	Furniture & Fixtures	10
14	X-Ray Baggage	15
15	CPT	15

- 2.5.2 The following table summarizes the aeronautical depreciation submitted by AAI for the Second Control Period:

Table 30: Aeronautical depreciation submitted by AAI for true up of Second Control Period

Depreciation	(Rs. in Lakhs)					
	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	-	-	16.54	33.22	33.37	83.13
Road, Bridges & Culverts	0.43	0.43	0.43	0.76	1.10	3.15
Building- Terminal	222.38	222.28	222.22	222.97	224.64	1,114.49
Building- Residential	-	-	-	-	-	0.00
Building- Others	1.36	8.86	20.05	27.1	29.86	87.23
Boundary Wall -Operational	0.18	0.18	0.18	0.18	0.18	0.90
Computer & Peripherals- End User	1.88	3.81	18.63	29.67	27.2	81.19
Computer & Peripherals - Servers and Networks	-	-	-	3.02	6.04	9.06
Intangible Assets- Software	-	0.15	1.81	3.32	3.82	9.10
Plant & Machinery	41.41	55.21	84.42	154.5	198.59	534.13
Tools & Equipment's	17.94	19.52	19.53	31.76	127.31	216.06
Office Furniture	0.11	0.07	0.07	0.07	0.04	0.36
Other Vehicles	-	-	11.94	24.6	25.31	61.85
Vehicle- Cars & Jeeps	2.41	3.69	4.62	3.81	3.15	17.68
Electrical Installations	351.15	318.07	298.05	299.53	308.64	1,575.44
Solar System	-	-	2.29	4.58	4.58	11.45



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Depreciation	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Other Office Equipment's	2.36	2.39	2.07	0.94	1.52	9.28
Other Than office	11.48	11.48	6.27	-	-	29.23
Furniture's & Fixtures-Other than Trolley	11.58	16.68	31.03	42.46	62.65	164.4
Furniture & Fixtures- Trolley	3.75	4.16	12.8	17.22	16.46	54.39
X-Ray Baggage System	31.1	33.57	34.45	32.89	35.3	167.31
CFT/Fire Fighting Equipment's	0.04	0.05	0.05	0.05	0.05	0.24
Depreciation on FA of PCP	8.47	8.47	8.47	8.47	8.47	42.35
Total	708.03	709.07	795.92	941.12	1,118.28	4,272.42

Recap of decision taken by the Authority for depreciation at the time of tariff determination for the Second Control Period:

2.5.3 The Authority vide its decision no. 6 of order No. 15/2017-18 dated 30th October 2017 decided the following with respect to depreciation for Second Control Period.

- Decision no. 6.a: "The Authority decided to adopt depreciation rates as per Table 30 and depreciation for the 2nd control period as per table 31."

Table 31: Depreciation rates as submitted by AAI and as considered by the Authority in the Second Control Period (Table 30 of Second Control Period order)

S.No.	Asset class	As per AAI	As per Authority 2015 onwards
1	Land	0%	0%
2	Runways	13%	3.33%
3	Taxiway	13%	3.33%
4	Apron	13%	3.33%
5	Road	13%	3.33%
6	Building-Terminal	8%	3.33%
7	Building-Temporary	100%	33.33%
8	Building-Residential	5%	3.33%
9	Security Fencing-Temporary	100%	33.33%
10	Security Fencing-Boundary Wall	8%	3.33%
11	Security Fencing-Residential	5%	3.33%
12	Computer and Peripheral	20%	16.67%
13	Computer and Package	20%	20%
14	Plant and Machinery	11%	6.67%
15	Tool and Plant	20%	6.67%
16	Office Furniture	20%	10%
17	Other Vehicles	14%	12.50%
18	Vehicle (Car/Jeep)	14%	12.50%
19	Electric Installations	11%	10%
20	Office Equipment	18%	20%
21	Other than office	20%	20%
22	XBIS (X-RAY Baggage)	11%	6.67%
23	CFT	13%	6.67%



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Table 32: Depreciation considered by the Authority in the Second Control Period Order (Table 31 of Second Control Period Order)

							(Rs. in Lakhs)
No.	Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
1.	As per AAI	1,060.00	1,010.00	980.00	940.00	4,780.00	8,770.00
2.	As per Authority	690.00	670.00	780.00	900.00	1,860.00	4,910.00

- *Decision no. 6.b.: "The Authority decides to consider the recommendations of the study on depreciation and finalize the depreciation rates in consultation with the stakeholders. It shall make necessary adjustments in RAB and true up depreciation while considering tariff determination in future."*

Authority's examination of Depreciation for the Second Control Period as part of Consultation Paper:

- 2.5.4 The Authority had noted that the AAI has considered the rates as approved and decided in the Second Control Period Order (Table 31 as above given in Recap of decisions) for opening RAB & capital additions in Second Control Period from FY 2016-17 to FY 2020-21. The Authority had noted that AAI did not consider the rates as prescribed in Order No. 35/2017-18 from FY 2018-19 onwards. The Authority had proposed to rectify the same and consider the rates approved by it in the Second Control Period tariff order for FY 2016-17 and FY 2017-18 and for FY 2018-19 onwards, revise the useful life of the assets based on the Order no. 35/ 2017-18 applicable from 1st April 2018 onwards as shown in Table below:

Table 33: Useful life as per Order no. 35/ 2017-18 vs adopted by AAI for Pune International Airport from FY 2018-19

S. No.	Asset Class	Useful Life Adopted by AAI	Useful life as per Order No. 35/2017-18
1	Ranways, Taxiways, Aprons	30	30
2	Roads, Bridges & culvert	30	10
3	Terminal/Other Buildings	30	30
4	Building - Residential	30	30
5	Security Fencing	3	10
6	Computer, IT Hardware & Access	6	3
7	Computer servers and networks	6	6
8	Computer Software - intangible assets	5	5
9	Plant and Machinery	15	15
10	Tools & Equipment	15	15
11	Other Vehicles	8	8
12	Electrical Installations	10	10
13	office Equipment	5	5
14	Furniture & Fixtures - other than trolleys	10	7
15	Furniture & Fixtures - trolleys	15	3
16	X-Ray Baggage	15	15
17	CFT	15	15

- 2.5.5 The Authority had observed that after changing the useful life from FY 2018-19 onwards, the Net block of assets as on 1st April 2018 ought to be depreciated over remaining useful life. However, it was observed that AAI had not carried out the computation as per this methodology in their model. The Authority had



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recomputed the depreciation on assets based on the useful lives as well as principles set out in Order No. 35/2017-18 dated 12th January 2018. The adoption of principle of depreciating the asset over the balance useful life of the asset has impacted the computation of depreciation for two asset categories i.e. a) Electrical installation and b) Passenger Boarding Bridges, which has resulted in re-computation of depreciation by the Authority as detailed in Table 34. The Authority had noted that the depreciation computation for the other items are in line with AERA Order No. 35/2017-18 dated 12th January 2018.

- 2.5.6 The Authority had noted that AAI has depreciated assets @ 50% of depreciation rates in the year of capitalization of assets as per the decision in the Second Control Period Order. The Authority had proposed to consider the depreciation based on the date of capitalization and compute the depreciation charge accordingly, instead of considering 50%.
- 2.5.7 The Authority had recalculated the depreciation values based on the classification of common assets as proposed in para 2.4.19 for additions of assets in Second Control Period.
- 2.5.8 The Authority had computed depreciation on addition of assets as considered in Table 26 after deducting the Financing allowance of Rs. 212.95 Lakhs in the Second Control Period.
- 2.5.9 After considering the above-mentioned changes, the Authority had recalculated the depreciation for the Second Control Period and presented the reconciliation between depreciation charged by AAI and as computed by the Authority as follows:

Table 34: Reconciliation of aeronautical depreciation submitted by AAI and proposed by the Authority for Second Control Period

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Depreciation considered by AAI (Table 30)	A	708.03	709.07	795.92	941.12	1,118.28	4,272.42
Depreciation on Financing Allowance on FCP and additions	B	13.49	10.96	4.63	11.55	16.64	57.27
Difference due to Reclassification of assets & change of Depreciation from FY18 onwards	C	0.79	6.51	(221.23)	(213.79)	279.02	(148.70)
Depreciation on Cargo Assets	D	-	3.37	7.07	11.08	11.07	32.59
Depreciation on Body Scanners	E	-	-	-	-	83.38	83.38
Depreciation proposed by the Authority (Table 35)	F=A-Sum (B: E)	693.75	688.23	1,005.44	1,132.28	728.17	4,247.88

- 2.5.10 Asset Category wise break-down of the above aeronautical depreciation proposed to be considered by the Authority for the Second Control Period was as follows:

Table 35: Aeronautical depreciation proposed to be considered for true up of Second Control Period by the Authority as part of Consultation Paper

(Rs. in Lakhs)

Depreciation	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	0.00	0.00	13.06	31.03	31.52	75.61
Road, Bridges & Culverts	0.43	0.43	2.86	1.78	1.78	7.29
Building-Terminal	222.60	222.50	216.28	217.15	218.36	1,096.90
Building-Residential	0.00	0.00	0.00	0.00	0.00	0.02
Building-Others	0.95	7.01	16.15	24.10	25.39	73.60
Security Fencing - Temporary	0.18	0.18	0.77	0.77	0.77	2.66



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Depreciation	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Computer & Peripheral-End User	1.72	3.18	18.19	22.58	16.27	61.93
Computer & Peripheral-Server and Networks	0.00	0.00	0.00	4.72	6.04	10.76
Computer & Package -Intangible Asses	0.00	0.06	0.47	1.59	1.59	3.71
Plant & Machinery	38.64	52.35	91.49	167.35	192.35	542.19
Tools & Equipment	18.54	19.23	18.77	42.58	43.29	142.42
Office Furniture	0.11	0.07	0.21	0.00	0.00	0.38
Other Vehicles	0.00	0.00	18.50	25.09	26.40	69.99
Vehicle- Cars & Jeeps	2.41	2.13	5.70	3.57	3.57	17.37
Electrical Installation	350.67	318.50	507.35	505.70	50.97	1,733.19
Solar System	0.00	0.00	6.55	7.24	7.24	21.03
Other office Equipment	2.33	2.14	1.69	0.93	1.22	8.31
Other than office Equipment	11.48	11.48	6.27	0.00	0.00	29.22
Furniture's & Fixtures-Other than Trolley	11.13	13.49	36.50	46.75	69.66	177.63
Furniture & Fixtures-Trolley	3.75	3.75	16.69	1.49	1.49	27.16
X Ray Baggage System	28.76	31.70	27.80	27.80	30.21	146.26
CFT & Fire Fighting equipment	0.04	0.05	0.06	0.06	0.06	0.26
Total	693.75	688.23	1,095.44	1,132.28	728.17	4,247.88

2.5.11 The Authority had proposed to consider the depreciation as per Table 35 for true up of the Second Control Period.

Stakeholders' comments on true up of Depreciation for the Second Control Period

2.5.12 During the stakeholders' consultation process, the Authority has received comments/views from stakeholders in response to the proposals of Authority in the Consultation Paper No. 26/2021-22 with respect to determination of Depreciation for the Second Control Period. The comments by stakeholders are presented below:

AAI's comments regarding true up of Aeronautical Revenues for the Second Control Period

2.5.13 AAI's comments regarding true-up of Depreciation for the Second Control Period is as follows:

***AERA's Contention:**

- Reference is invited to para 2.4.14 of the CP which stated as follows: " The Authority noted that AAI has depreciated assets @ 50% of depreciation rates in the year of capitalization of assets as per the decision in the Second Control Period Order. The Authority proposes to consider the depreciation based on the date of capitalization and compute the depreciation charge accordingly, instead of considering 50%."

AAI's submission

- There is inconsistency by AERA in the method of computation of depreciation for Pune and other Major Airports. In respect of all other AAI airports, depreciation was computed @ 50% of rates in the first year of capitalization. For subsequent years the depreciation is calculated for full years.
- But in Pune, AERA has proposed to compute depreciation on the date of capitalization of the asset.

AAI's Request

- AERA is requested to consider a uniform methodology to be followed in this regard for determination of tariff of all the major airports of AAI."



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Authority's analysis on Stakeholders' comments regarding true-up of Depreciation for the Second Control Period

- 2.5.14 The Authority takes note of the comments and request made by AAI regarding a uniform methodology to be adopted in terms of depreciation among AAI airports.
- 2.5.15 The Authority has adopted the date of "put to use" while computing depreciation for the Second Control Period. This is in line with the prescribed Schedule II of Companies Act as described below:
"2. Where, during any financial year, any addition has been made to any asset, or where any asset has been sold, discarded, demolished or destroyed, the depreciation on such assets shall be calculated on a pro rata basis from the date of such addition or, as the case may be, up to date on which such asset has been sold, discarded, demolished or destroyed."
- 2.5.16 Based on the above, the depreciation for assets which have been commissioned/put to use in the Second Control Period has been calculated from the date when the asset was put to use. This practice has been applied to all the assets newly capitalized in the Second Control Period.
- 2.5.17 The Authority also states that concept of 50% depreciation for the year of addition is applicable only for depreciation projected for a control period. Relevant extract of Direction 5 issued by the Authority is as follows:
"(e) For projecting depreciation on forecast of assets to be commissioned or disposed off during a control period, it shall be assumed that such assets have been commissioned or disposed off halfway through the tariff year and depreciation related to such assets shall be calculated pro rata."
- 2.5.18 The Authority states that the same practice was adopted in other major PPP airports and this methodology will be adopted across all Airports including that of AAI. This would ensure that the depreciation considered is uniform and is also aligned with the accounting done in the books of the airport. Appropriate changes will be considered for other airports of AAI, if the same was done differently, at the time of true up during the subsequent control periods.
- 2.5.19 Hence, the Authority is of the view that the computation of depreciation as carried out does not require any revisit.

Authority's examination on depreciation on actual capital additions for FY 2020-21

- 2.5.20 It may be noted that the decisions taken by the Authority with regards to true-up of RAB for the Second Control Period will also impact the depreciation computation of the Second Control Period as well. Accordingly, the Authority has incorporated the relevant changes to RAB of the Second Control Period and has recalculated the depreciation. The Authority decides to consider true-up of depreciation for the Second Control Period as below:

Table 36: Aeronautical depreciation for true up of Second Control Period decided by the Authority

(Rs. in lakhs)

Depreciation	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Runways, Taxiways, Aprons	-	-	13.06	31.03	31.52	75.61
Road, Bridges & Culverts	0.43	0.43	2.86	1.78	1.78	7.29
Building-Terminal	222.60	222.50	216.28	217.15	218.17	1,096.71
Building-Residential	0.00	0.00	0.00	0.00	0.00	0.02
Building-Others	0.95	7.01	16.15	24.10	25.38	73.59
Security Fencing - Temporary	0.18	0.18	0.77	0.77	0.77	2.66
Computer & Peripheral-End User	1.72	3.18	18.19	22.58	18.96	64.61



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Depreciation	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Computer & Peripheral-Server and Networks	-	-	-	4.72	6.04	10.76
Computer & Package - Intangible Assets	-	0.06	0.47	1.39	1.61	3.73
Plant & Machinery	38.64	52.35	91.49	167.35	192.19	542.02
Tools & Equipment's	18.54	19.23	18.77	42.58	43.28	142.41
Office Furniture	0.11	0.07	0.21	-	-	0.38
Other Vehicles	-	-	18.50	25.09	26.40	69.99
Vehicle- Cars & Jeeps	2.41	2.13	5.70	3.57	3.57	17.37
Electrical Installation	350.67	318.50	507.35	505.70	53.51	1,735.73
Solar System	-	-	6.55	7.24	7.24	21.03
Other Office Equipment's	2.33	2.14	1.69	0.93	1.23	8.32
Other than Office Equipment's	11.48	11.48	6.27	-	-	29.22
Furniture's & Fixtures-Other than Trolley	11.13	13.49	36.60	46.75	58.02	165.99
Furniture & Fixtures-Trolley	3.75	3.75	16.69	1.49	1.49	27.16
X Ray Baggage System	28.76	31.70	27.80	27.80	30.30	146.35
CFT & Fire Fighting equipment	0.04	0.05	0.06	0.06	0.06	0.26
Total	693.75	688.23	1,005.44	1,132.28	721.50	4,241.22

2.6 True up of Average RAB

AAI's submission of Average RAB for the Second Control Period

2.6.1 AAI has submitted the following the following Average RAB for the Second Control Period:

Table 37: Average RAB submitted by AAI for true up of Second Control Period

(Rs. in Lakhs)							
Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB	A	8,212.55	8,116.29	8,122.60	9,912.76	11,154.95	
Add: Additions to RAB (Table 17)	B	611.77	715.38	2,586.08	2,183.33	3,003.12	9,099.67
Less: Disposals	C	0.00	0.00	0.00	0.00	0.00	0.00
Less: Depreciation (Table 30)	D	708.03	709.07	795.93	941.13	1,118.29	4,272.45
Closing RAB	E=A+B-C-D	8,116.29	8,122.60	9,912.76	11,154.95	13,039.78	
Average RAB	F= Avg.(A, E)	8,164.42	8,119.44	9,017.68	10,533.85	12,097.37	

Recap of decision taken by the Authority for Average RAB at the time of tariff determination for the Second Control Period:

2.6.3 The Authority vide its decision number 7 of Order No. 15/2017-18 dated 30th October 2017 decided to consider the following with respect to Average RAB in the Second Control Period:

- Decision no.7, a.: The Authority decides to consider Average RAB as allowed in Table 33
- Decision no.7, b.: The Authority decides to true up the RAB of the 2nd Control Period based on actual asset addition and revised depreciation rates based on the outcome of the study commissioned by the Authority, at the time of determination of Tariff for the 3rd Control Period.



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Table 38: Summary of forecast and Roll Forward RAB and Depreciation for considered by the Authority for 2nd Control Period (Table 33 of Second Control Period order)

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB	A	8,003.00	7,760.00	7,270.00	11,020.00	10,120.00	
Aeronautical Assets Capitalized during the year	B	450.00	180.00	4,530.00	-	32,290.00	37,450.00
Disposals	C	-	-	-	-	-	-
Depreciation	D	690.00	670.00	780.00	900.00	1,860.00	4,900.00
Closing RAB	E=A+B-C-D	7,760.00	7,270.00	11,020.00	10,120.00	40,540.00	
Average RAB	F= Avg (A, E)	7,880.00	7,520.00	9,140.00	10,570.00	25,330.00	

Authority's examination of Average RAB for the Second Control Period as part of Consultation Paper:

- 2.6.4 Based on the Authority's analysis of Opening RAB, additions to RAB and depreciation calculation as detailed in the paragraphs earlier, the average Aeronautical RAB proposed to be considered for the true up of Second Control Period was as below:

Table 39: RAB proposed to be considered for true up of the Second Control Period by the Authority as part of Consultation Paper

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB (Para 2.4.5 & Table 18)	A	8,003.06	7,888.44	7,770.62	9,199.05	10,209.08	
Add: Additions to RAB (Table 26)	B	599.44	570.41	2433.88	2142.31	484.13	6,230.17
Less: Disposals (Cargo assets transferred to AAICLAS)	C	20.31	0.00	0.00	0.00	0.00	20.31
Less: Depreciation (Table 35)	D	693.75	688.23	1005.44	1132.28	728.17	4,247.88
Closing RAB	E=A+B-C-D	7,888.44	7,770.62	9,199.05	10,209.08	9,965.04	
Average RAB	F= Avg (A, E)	7,945.75	7,829.53	8,484.83	9,704.06	10,087.06	

- 2.6.5 The Authority had proposed to consider the additions, depreciation, and RAB as per Table 39 for true up of the Second Control Period.

Stakeholders' comments on true up of Average RAB for the Second Control Period

- 2.6.6 There were no Stakeholders' comments with respect to true-up of Average RAB for the Second Control Period.

Authority's analysis on Stakeholders' comments regarding true-up of Average RAB for the Second Control Period

- 2.6.7 No Stakeholders' comments were received regarding true up of average RAB for the Second Control Period. The Authority has incorporated the relevant changes as stated in Table 28 of capital additions and



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Table 36 of depreciation and has recalculated the Average RAB for the Second Control Period. Accordingly, the Authority decides to consider true-up of Average RAB for the Second Control Period as stated below:

Table 40: Average RAB for true up of the Second Control Period decided by the Authority

(Rs. in Lakhs)							
Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Opening RAB (Para 2.4.5 & Table 8)	A	8,003.06*	7,888.44	7,770.62	9,199.05	10,209.08	
Add: Additions to RAB (Table 28)	B	599.44	570.41	2433.88	2142.31	439.18	6,185.22
Less: Disposals (Cargo assets transferred to AAICLAS)	C	29.31	0.00	0.00	0.00	0.00	29.31
Less: Depreciation (Table 36)	D	693.75	688.23	1005.44	1152.28	721.50	4,241.22
Closing RAB	E=A+B-C-D	7,888.44	7,770.62	9,199.05	10,209.08	9,926.75	
Average RAB	F= Avg (A,E)	7,945.75	7,829.53	8,484.83	9,704.06	10,067.91	

*Rs. 8,003.06 lakhs was closing RAB (as per Hybrid Bill) as on 31st March 2016 as per Table 25 of the Second Control Period Order. The same is considered as opening RAB for 1st April 2016 during true up of Second Control Period.

2.7 True up of Fair Rate of Return

AAI's submissions of the Fair Rate of Return (FRoR) for the Second Control Period

2.7.1 AAI has considered Fair Rate of Return (FRoR) as 14% in MYTP for true up of Second Control Period based on the decision taken in Order No. 15/2017-18 dated 30th October 2017 of Pune International Airport for tariff determination of Second Control Period.

2.7.2 AAI has made the following submission with regard to FRoR:

- Cost of equity considered as 16.00%.
- Term Loan of Rs. 2,100 Crores was raised from M/s. Axis Bank Ltd to meet part of its Capital Expenditure for the FY 2020-21 at interest rate of 6.21% for AAI Airports. Therefore, Cost of debt considered as 6.21%.

2.7.3 Considering the loan facility availed from FY 2020-21, AAI has submitted the following gearing for computation of FRoR for Second Control Period:

Table 41: FRoR submitted by AAI for true up of Second Control Period

Particulars (In %)	FY 17	FY 18	FY 19	FY 20	FY 21
Means of Finance Proportion					
Equity Proportion	100%	100%	100%	100%	89%
Debt Proportion	0%	0%	0%	0%	11%

2.7.4 Based on the above, AAI has calculated FRoR for FY 2016-17 to FY 2019-20 as 16% and for FY 2020-21 as 15.32% but had requested the Authority to apply FRoR @14% as decided by the Authority in Second Control Period Order.

Recap of decision taken by the Authority for FRoR at the time of tariff determination for the Second Control Period:



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- 2.7.5 The Authority vide its decision number 8 of Order No. 15/2017-18 dated 30th October 2017 decided to consider the following with respect to FRoR in the Second Control Period:
- *Decision no.8. a.: The Authority decides to consider the FRoR at 14% for the civil enclave at Pune International Airport for first and Second Control Period*
 - *Decision no.8. b.: The Authority decides to undertake a study to determine FRoR for major AAI airports given the low debt structure of AAI as a whole.*

Authority's examination of FRoR for the Second Control Period as part of Consultation Paper:

- 2.7.6 The Authority had noted that AAI submitted that Term Loan of Rs. 2,100 Crores was raised from M/s. Axis Bank Ltd to meet part of its Capital Expenditure for FY 2020-21 at interest rate of 6.21% for AAI Airports. The term loan was disbursed to Pune International Airport from FY 2020-21 as per the Capital expenditure requirement. AAI also stated that the finance for Capital expenditure from FY 2020-21 will be 60% through debt and 40% through equity. Therefore, the Authority had considered the cost of debt for Second Control Period @ 6.21% for FY 2020-21.
- 2.7.7 The said term loan facility had been taken for a period of 10 years with three years moratorium period for payment of principal amount and AAI availed Rs. 1,828.07 crores till 31st March 2021 in different tranches.
- 2.7.8 The Authority had noted that AAI in its submission considered the values of debt and equity from FY 2020-21 based on the value of the Net block of RAB and segregating it between debt & equity at 60:40. The Authority had proposed to consider the equity of FY 2020-21 determined on the value of Gross RAB after considering funding of 60% of additions from Debt for Pune International airport.
- 2.7.9 The Authority had earlier considered the Fair Rate of Return at 14% for similar airports such as Jaipur, Patna, Chennai etc. Accordingly, the Authority had decided to consider the Fair Rate of Return at 14% in the Second Control Period order considering that for Pune International Airport, internal accruals were sufficient to meet capital expenditure requirement and accordingly no loan was required and FRoR was arrived at 14%.
- 2.7.10 In the Tariff Order for the Second Control Period, the Authority had decided to commission a study with regard to determination of FRoR and true up the same. The Authority had noted that the capital structure of AAI is not cost efficient and is highly equity leveraged. AAI has taken steps to make its capital structure efficient by availing debt in FY 2020-21 for executing capital expansion plans at certain Airports (which also includes Pune International Airport). Hence, at this juncture, the Authority had not intended to conduct an independent study for assessing the normative capital structure as FRoR is expected to come down over a period on account of the above initiatives of AAI. The Authority had proposed to consider the cost of equity at 14% for true up of the Second Control Period.
- 2.7.11 Based on the above, after considering a cost of equity of 14% and cost of debt of 6.21%, the Authority had recalculated the FRoR for the Second Control Period to be 13.77%.
- 2.7.12 The revised FRoR by the Authority as considered for the true-up calculation is as follows:

Table 42: FRoR proposed to be considered for true up of the Second Control Period by the Authority as part of Consultation Paper

Particulars	(Rs. in Lakhs)				
	FY 17	FY 18	FY 19	FY 20	FY 21
Debt [A]	-	-	-	-	4,806.05



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Particulars	FY 17	FY 18	FY 19	FY 20	FY 21
Equity [B]	12,829.86	13,722.78	17,166.03	24,140.17	27,499.84
Debt + Equity [C = A + B]	12,829.86	13,722.78	17,166.03	24,140.17	32,305.89
Cost of Debt [D]	0.00%	0.00%	0.00%	0.00%	6.21%
Cost of Equity [E]	14.00%	14.00%	14.00%	14.00%	14.00%
Individual Year Gearing [F]	0.00%	0.00%	0.00%	0.00%	14.88%
Weighted Average Gearing [G]	2.98%				
Cost of Debt [H]	6.21%				
Cost of Equity [I]	14.00%				
FRoR [J=G*H+(1-G)*I]	13.77%				

Stakeholders' comments on true up of FRoR for the Second Control Period

2.7.13 There were no Stakeholders' comments with respect to true-up of FRoR for the Second Control Period.

Authority's analysis on Stakeholders' comments and decision regarding true up of FRoR for the Second Control Period

2.7.14 It is noted that no Stakeholders' comments were received regarding true-up of FRoR for the Second Control Period. The Authority however states that the analysis presented in the true up of capital additions and depreciation of the Second Control Period would have impact on FRoR considered for true of the Second Control Period. The Authority after considering the relevant adjustment states that the impact on FRoR is very negligible and is not impacted in the first two decimal places. Accordingly, the Authority decides to consider the composite FRoR of 13.77% across all years for the Second Control Period as per the following table. Further, para 5.5.3 regarding FRoR in Chapter 5 may be referred.

Table 43: FRoR for true-up of the Second Control Period decided by the Authority

(Rs. in Lakhs)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21
Debt [A]	-	-	-	-	4,806.05
Equity [B]	12,829.86	13,722.78	17,166.03	24,140.17	27,454.89
Debt + Equity [C = A + B]	12,829.86	13,722.78	17,166.03	24,140.17	32,260.94
Cost of Debt [D]	0.00%	0.00%	0.00%	0.00%	6.21%
Cost of Equity [E]	14.00%	14.00%	14.00%	14.00%	14.00%
Individual Year Gearing [F]	0.00%	0.00%	0.00%	0.00%	14.90%
Weighted Average Gearing [G]	2.98%				
Cost of Debt [H]	6.21%				
Cost of Equity [I]	14.00%				
FRoR [J=G*H+(1-G)*I]	13.77%				

2.8 True up of Operating & Maintenance expenses

AAI's submission for true up of Operating & Maintenance expenses

- 2.8.1 AAI had submitted the following aeronautical operating expenses for true up of the Second Control Period with actual values for FY 2016-17 to FY 2019-20 and estimated values for FY 2020-21.
- 2.8.2 The estimates of FY 2020-21 have been calculated based on different growth percentage in each head of Operating expenses over FY 2019-20 which are as follows:



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- Payroll Expenditure: For Salary & Allowances, PF contribution and CHQ/RHQ employee related cost the growth is considered as 5% and for other payroll expenses at 7%.
- Administration & General expenditure: For Legal expenses and CHQ/RHQ expenses, the growth is considered as 5% and other expenses at 10%.
- Upkeep Expenses: Growth is based on additional and new MESS contracts
- Repairs & Maintenance Expenditure: Growth is considered at 10%
- Utility & Outsourcing Expenditure: For Electricity no growth has been considered and for other expenses, growth of 10% has been considered.
- Other Outflows: Considered UDF collections charges as Rs.5 per embarking passenger

2.8.3 The aeronautical O&M expense for the Second Control Period considering the above-mentioned estimates are shown in the table below:

Table 44: Aeronautical Operating expenses for the Second Control Period as submitted by AAI

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21 (Est.)	Total
Payroll expenditure	A	2,460.53	2,540.29	3,160.26	3,022.56	2,275.29	13,458.94
Apportionment of CHQ/RHQ expenses	B	102.24	475.04	798.00	433.87	455.56	2,264.71
Total Payroll Expenditure	C=A+B	2,562.77	3,015.33	3,958.26	3,456.43	2,730.86	15,723.65
Administrative & General Expenditure	D	132.09	371.75	450.17	363.36	382.77	1,700.14
Apportionment of administrative & general expenses to CHQ/RHQ	E	1,580.80	2,619.15	3,646.10	4,576.15	4,804.96	17,227.16
Total Administrative & General Expenses	F=D+E	1,712.89	2,990.90	4,096.27	4,939.51	5,187.73	18,927.30
Repairs & Maintenance Expenses	G	811.80	745.74	618.91	644.05	708.45	3,528.94
Power charges	H	627.40	700.78	753.13	800.80	608.78	3,490.90
Water charges	I	33.85	32.70	106.10	119.04	27.13	318.82
Hire charges	J	60.96	120.76	139.15	193.44	212.78	727.08
Other utilities	K	33.38	23.42	29.78	18.88	20.77	126.23
Total Utility & Outsourcing Expenses	L=H+I+J+K	755.60	877.66	1,028.16	1,132.15	869.46	4,663.02
Other Outflows	M	39.72	75.87	173.84	173.32	45.62	508.38
Total Aeronautical Operating Expenses	N=C+F+G+L+M	5,882.78	7,705.50	9,875.43	10,345.46	9,542.11	43,351.29

2.8.4 The above submission of aeronautical operational expenses by AAI is based on the allocation ratios as given below:

Table 45: AAI's submission of allocation ratios for Operating & Maintenance expenses for the Second Control Period

Particulars	Basis	FY 17	FY 18	FY 19	FY 20	FY 21(Est)
Payroll expenditure and provisions/Travelling	Employee Ratio (Aero: Non-Aero)	98.10%	98.95%	98.89%	96.71%	96.71%



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Particulars	Basis	FY 17	FY 18	FY 19	FY 20	FY 21(Est)
Insurance costs/Consumption of petrol and lubricants/R&M Vehicles		100%	100%	100%	100%	100%
Office/Miscellaneous expenses/Telephone expenses and other stationaries	Employee Ratio (Acro: Non-Acro: ANS)	96.73%	97.93%	98.78%	96.58%	96.58%
Upkeep expenses/R&M-Civil/Electrical Works	Terminal Building Ratio	91.76%	91.30%	90.27%	90.46%	90.46%
Power charges	Electricity Consumption Ratio	99.83%	99.77%	99.78%	99.78%	99.78%
Water charges/Hire charges/Repairs & Maintenance- Electronics & IT/ Consultancy/Other professional fees/Legal expenses		100%	100%	100%	100%	100%
Collection Charges U/DI		100%	100%	100%	100%	100%
CHQ/RHQ expenses (Admin)		95%	95%	95%	95%	95%
CHQ/RHQ expenses(payroll)	Employee Ratio (Acro: Non-Acro)	98.10%	98.95%	98.89%	96.71%	96.71%

Recap of decision taken by the Authority for Operating & Maintenance Expenses at the time of tariff determination for the Second Control Period

2.8.5 The Authority vide decision no.10 of Order no. 15/2017-18 dated 30th October 2017 decided the following with respect to Operating Expenses for the Second Control Period

- Decision no. 10.a.: The Authority decides to consider operating and maintenance expenditure as given in Table 43 below, for the purpose of determination of aeronautical tariffs for second control period.
- Decision no. 10.b.: The Authority expects AAI to reduce per pax O&M expenditure over a period of time.
- Decision no. 10.c.: The Authority decides to true-up O&M expenditure for FY 2016-17 to FY 2020-21 of the second control period based on actuals at the time of determination of tariff for the Third Control Period.

Table 46: Aeronautical Operating & Maintenance expenses considered by the Authority in the Second Control Period (Table 43 of Second Control Period order)

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll expenditure	A	2,870.00	3,580.00	3,830.00	4,090.00	4,380.00	18,750.00
Apportionment of Retirement benefits from CHQ/RHQ expenses	B	440.00	558.00	580.00	620.00	660.00	2,858.00
Total Payroll Expenditure	C=A+B	3,300.00	4,120.00	4,410.00	4,710.00	5,040.00	21,580.00



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Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Administrative & general expenditure	D	100.00	110.00	120.00	120.00	130.00	580.00
Apportionment of administrative & general expenses to CHQ/RHQ	E	460.00	480.00	510.00	530.00	560.00	2,540.00
Total Administrative & General Expenses	F=D+E	560.00	590.00	620.00	660.00	690.00	3,120.00
Repairs & Maintenance Expenses	G	690.00	750.00	830.00	910.00	1,000.00	4,180.00
Power charges	H	610.00	610.00	610.00	610.00	610.00	3,050.00
Water charges	I	20.00	20.00	20.00	20.00	20.00	100.00
Hire charges-car/jeep others	J	30.00	30.00	30.00	30.00	30.00	150.00
Other Utilities	K	70.00	70.00	80.00	80.00	90.00	390.00
Total Utility & Outsourcing Expenses	L=H+I+J+K	720.00	730.00	740.00	750.00	760.00	3,700.00
Other Outflows	M	70.00	80.00	80.00	90.00	10.00	330.00
Total Aeronautical Operating Expenses	N=C+F+G+L+M	5,330.00	6,270.00	6,680.00	7,120.00	7,600.00	33,000.00

Authority's examination of Operating & Maintenance Expenses for the Second Control Period as part of Consultation Paper:

- 2.8.6 The Authority had noted that FY 2020-21 costs was based on estimates. The Authority had sought for Financial Statements for FY 2020-21 but the same was not provided by AAI. Therefore, the Authority had proposed to consider the FY 2020-21 on an estimate basis.
- 2.8.7 The Authority had noted that AAI has allocated various sub-expenses within O&M expenses based on the following ratios:
1. Employee Ratio (Aero: Non-Aero: ANS)
 2. Employee Ratio (Aero: Non-Aero)
 3. Employee Ratio (Aero: ANS)
 4. TBLR Ratio
 5. Electricity Consumption Ratio
- 2.8.8 The Authority had reviewed the basis for the above ratios considered by AAI. Analysis of the same and proposal for the basis of change is as detailed below:

Table 47: Comparison of basis of expenses allocation ratios considered by AAI and proposed by the Authority

S.no.	Ratios	Application	Basis Considered by AAI	Basis Proposed by the Authority
1	Employee Ratio (Aero: Non-Aero: ANS)	Applied on the cost incurred by all the departments	1. No. of Employees department wise have been bifurcated into Aero, Non-Aero and Common. Common employees have further been bifurcated in the proportion of Aero and Non-Aero employees. 2. HR & Finance department has been considered as common by AAI. 3. Commercial department is considered as non-Aero 4. CNS department other than Airport system is considered as ANS segment	Same basis to be considered by the Authority as taken by AAI except considering housekeeping department as Common instead of treating it as Aero.



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S.no.	Ratios	Application	Basis Considered by AAI	Basis Proposed by the Authority
2	Employee Ratio (Aero: Non-Aero)	Applied mainly to payroll cost of all departments except ANS	Ratio is calculated after considering common employees count into Aero: Non-Aero	Ratio calculated after considering revised common employees count into Aero: Non-Aero as above
3	Employee Ratio (Aero: ANS)	Applied mainly to payroll cost of ANS department	Calculated estimated % of working hours as shown below and allocated the same to ANS employees in Airport system. 1. For FY 2016-17 & FY 2017-18 - 40% Airport Systems and 60% Other than Airport Systems. 2. From FY 2018-19 onwards- 80% Airport Systems and 20% Other than Airport Systems	Instead of considering estimate actual % of working hour has been considered based on the document submitted by AAI and allocated the same to ANS employees in Airport system. This translates to the ratio being 66.67% to 90% for FY 2017-18 to FY 2018-19 and 96.67% from FY 2019-20 onwards.
4	TBLR Ratio	Applied on cost related to Terminal Building	The same has been discussed in True up of RAB (Refer para 2.4.15)	The same has been discussed in True up of RAB (Refer para 2.4.15)
5	Electricity Consumption Ratio	Applied on Power Charges	Based on consumption of units by different departments	Same basis as considered by AAI

2.8.9 The Authority, based on the above analysis and proposed changes, recalculated the ratios for Pune International Airport. Presented below is the comparison of allocation ratios adopted by AAI and the Authority:

Table 48: Allocation Ratios submitted by AAI and proposed to be considered by the Authority

S. No.	Particulars	FY 17	FY 18	FY 19	FY 20	FY 21
1	Employee Ratio (Aero: Non-Aero: ANS)					
	As considered in the Second Control Period order	NA	NA	NA	NA	NA
	As considered by AAI	96.73%	97.93%	98.78%	96.58%	96.58%
	As proposed by the Authority	94.49%	96.52%	97.68%	93.88%	93.88%
2	Employee Ratio (Aero: Non -Aero)					
	As considered in the Second Control Period order	95.00%	95.00%	95.00%	95.00%	95.00%
	As considered by AAI	98.10%	98.95%	98.89%	96.71%	96.71%
	As proposed by the Authority	96.77%	98.23%	98.20%	94.10%	94.10%
3	Employee Ratio (Aero: ANS)					
	As considered in the Second Control Period order	50.00%	50.00%	50.00%	50.00%	50.00%
	As considered by AAI	66.67%	66.67%	96.67%	96.67%	96.67%
	As proposed by the Authority	66.67%	66.67%	90.00%	96.67%	96.67%
4	TBLR Ratio					
	As considered in the Second Control Period order	91.37%	91.37%	91.37%	91.37%	91.37%
	As considered by AAI	91.76%	91.30%	90.27%	90.46%	90.46%
	As proposed by the Authority	91.37%	91.37%	91.37%	91.37%	91.37%
5	Electricity Consumption Ratio					



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S. No.	Particulars	FY 17	FY 18	FY 19	FY 20	FY 21
	As considered in the Second Control Period order	99.00%	99.00%	99.00%	99.00%	99.00%
	As considered by AAI	99.83%	99.77%	99.78%	99.78%	99.78%
	As proposed by the Authority	99.83%	99.77%	99.78%	99.78%	99.78%

2.8.10 The Authority had observed the following regarding AAI's submission of O&M expenses under various heads for the Second Control Period:

• **CHQ/RHQ expenses**

CHQ/RHQ-Retirement Benefits

2.8.11 The Authority had noted that CHQ/RHQ expenses related to employee cost was higher in FY 2017-18 & FY 2018-19 as compared to other years. Upon enquiry, AAI responded that the provision for retirement benefit cost and third pension (27 months – starting from January 2017 to March 2019) based on actuarial valuation has been considered. Therefore, the impact of same is higher in FY 2017-18 & FY 2018-19 as compared to other years.

2.8.12 The Authority had also noted that payroll expenses for FY 2020-21 has been increased by 5% based on the payroll expenses of FY 2019-20 for CHQ/ RHQ payroll expenses. However, considering the de-growth in passenger traffic caused by the COVID-19 pandemic and the resultant decrease in Aeronautical revenues, including profitability, and the austerity measures, the Authority had proposed to estimate the payroll costs for FY 2020-21 by applying 0% growth rate over the FY 2019-20 CHQ/ RHQ payroll costs.

CHQ/RHQ- Pay and Allowances and Admin & General expenses

2.8.13 AAI had submitted a revised computation of CHQ/ RHQ cost on 17th November 2021 for the period from 2016-17 to 2019-20. The Authority had noted that the manner of segregation and allocation of cost heads has been revised by AAI in this submission as compared to the submission made as part of MYTP.

2.8.14 The Authority had reviewed the submissions made by AAI as part of the CHQ/ RHQ cost allocation and noted the following:

- Revenue is the basis for allocating costs across different airport stations. Based on the changes in the Revenue share of a specific station to that of the total Revenue of Airport segment, the allocated CHQ/ RHQ costs may swing widely.
- The estimates CHQ/ RHQ cost for AAI as a whole is not submitted by AAI at the time of submitting its MYTP proposals to facilitate review and comparison.
- Changes / Amendments have been made by AAI to the allocation methodology submitted by it earlier. There is no holistic documentation / framework submitted by AAI and responses are given in parts when details/ clarifications are sought.

2.8.15 The Authority had analyzed the details of CHQ apportionment under the head of Admin & General expenses in the proportion of employees providing support services to the aero and non-aeronautical services and bifurcated it into direct aero, non-aero and common based on the nature of services being provided by them. The detailed segregation of employees (department wise) provided by AAI and Authority's proposal are as under:

Pay and Allowances of CHQ & RHQ:

2.8.16 AAI had considered pay and allowance of Commercial department at CHQ & RHQ as Aeronautical expenses, whereas such expenses are non-aeronautical in nature.



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- 2.8.17 AAI had excluded pay and allowances of employees involved in ATM, CNS & Cargo department at CHQ & RHQ while working out the allocation to airport. However, no exclusion has been done for support services of department relating to HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- 2.8.18 AAI had considered 5% of Expenses (after excluding revenue) towards non aeronautical income. The Authority was of the view that percentage share of expenses should be worked out on total outflow of pay and allowances.
- 2.8.19 Manpower of CHQ & RHQ is also providing services to non-Aero activities i.e. ATC, CNS cadres at respective airports. Hence, pay and allowances needs to be adjusted accordingly.
- 2.8.20 Considering all the facts and figures as stated above, the Authority had of the following view:
- 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:
 - Support services to ANS, Cargo & Commercial at CHQ, RHQ and airport
 - Officials of Directorate of Commercial
 - Balance 80% of pay and allowances of CHQ & RHQ can be allocated to Airports as aeronautical.

Admin. & General Expenses of CHQ & RHQ

- 2.8.21 AAI had incurred Legal & Arbitration Expenses at CHQ & RHQ level. The Authority had considered the view that this expense should be analyzed and distributed to stations on a case-to-case basis. Such details have not been provided by AAI. In the absence of details, the Authority had proposed to not consider such expenses to be allocated to the respective airport.
- 2.8.22 AAI paid Interest/penalties to Government of India at CHQ & RHQ level. The Authority had considered the view that Stakeholders should not be burdened with interest/penalties paid to Govt. of India, due to various lapses/delays on part of the Airport Operator. Hence such expenses were not allocated to the respective airport.
- 2.8.23 The Authority had proposed to reduce overall cost by 5% from FY 2019-20 for estimating the figures of FY 2020-21 due to impact of COVID-19 and non-availability of actual data.

Table 49: Re-allocated CHQ/ RHQ expenses for the Second Control Period proposed to be considered by the Authority for Pune

(Rs. in Lakhs)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
As per Second Control Period order	460.00	480.00	510.00	530.00	560.00	2,540.00
As per MYTP submitted by AAI	1,580.80	2,619.15	3,646.10	4,576.15	4,804.96	17,227.16
As per AAI revised submission	1,595.05	2,054.85	2,837.65	3,873.15	4,066.81	14,427.51
Proposed by the Authority	1,311.29	1,660.58	1,951.65	3,143.89	2,986.69	11,054.10

- 2.8.24 The Authority was of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008 read with AERA (Amendment) Act 2019 and AERA (Amendment) Act 2021, the Authority had a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalize the CHQ/ RHQ expenses being allocated to Pune International Airport. The Authority further highlighted the following issues for tariff determination in future and recommends AAI to adopt a rational approach while allocating CHQ and RHQ expenses to the individual airports:



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- AAI is allocating CHQ & RHQ expenses to airports in the proportion of revenue earned by them. AAI is managing around 100 non-Major airports. Tariff determination at these airports is not on regular basis and invariably revenues at these airports do not cover their expenditures. Resultantly, substantial portion of CHQ & RHQ expenses of these airports is allocated to major airports.
- AAI is not exploiting non-traffic avenues fully. Due to the same, non-traffic revenues remains low at airports. AAI is advised to exploit the potential of non-traffic avenues fully so that 30% of the same by cross subsidization could be used to cover aeronautical expenses.
- Allocation of CHQ & RHQ expenses based on revenue is not transparent and efficient method, as it brings in large variation in such expenses on a YoY basis due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the major airports has to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports go up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect.

2.8.25 The Authority, therefore, expected AAI to examine these issues in detail and devise robust methodology for allocation of CHQ & RHQ expenses on priority.

• **Payroll costs**

2.8.26 The growth rates in employee costs, during the Second Control Period as submitted by AAI and as proposed by the Authority in the tariff order, were as given in the table below:

Table 50: Growth rate in employee costs as submitted by AAI and as proposed by the Authority in the Second Control Period tariff order

Employee Cost	FY 17	FY 18	FY 19	FY 20	FY 21
Increase in Employee Cost As per MYTP	0%	1%	23%	-6%	5%
Employee count	214	193	181	152	153
Increase in Employee Cost As per Second Control Period Order	30%	25%	7%	7%	7%
Employee count	250	250	250	250	250

2.8.27 In the Second Control Period Order, the Authority had allowed a 30% increase in employee costs in FY 2016-17 owing to AAI's submission regarding salary revision. In the current MYTP, AAI submitted that the pay revision was done in FY 2018-19, as a result of which there was a high growth in actual employee costs in FY 2018-19 (23% from FY 2017-18).

2.8.28 The Authority had noted that the number of employees in FY 2019-20 has dropped to 152 from 181 in FY 2018-19. The Authority had sought clarification from AAI regarding the decrease in number of employees. AAI has informed that 28 employees in electrical engineering department have been transferred to AAI regional office in Mumbai and the payroll cost of the said employees has been charged to region.

2.8.29 The Authority had noted that the AAI has reduced the total employee cost involved in the project (for New Terminal Building which started construction from FY 2017-18) for three years from FY 2018-19 to FY 2020-21 from the Aero employee cost in FY 2020-21 only. The Authority had proposed to reduce the cost from the respective years of its actual incurrence.

2.8.30 The Authority had noted that Payroll expenses for FY 2020-21 were estimated by taking a growth rate of 5% for Salary & Allowances & PF contribution and 7% for other elements of payroll costs over the FY 2019-20 expenses. Considering the pandemic conditions, the Authority was of the opinion that the O&M expenses of FY 2020-21 may not be more than that of FY 2019-20. Therefore, the Authority had proposed



to estimate all the elements of Payroll expenses except Overtime for FY 2020-21 by considering Nil growth over FY 2019-20. Overtime expenses was considered as Nil for FY 2020-21 due to scaling down of operations in Covid-19 pandemic.

- 2.8.31 The Authority had proposed to consider the revised employee cost after taking into consideration the above changes and allocation ratio as proposed.

Repairs and Maintenance

- 2.8.32 The Authority had noted that AAI had submitted R&M expenses at actuals for FY 2016-17 to FY 2019-20. The Authority had analyzed the R&M expenses and noted that R&M expenses related to Civil was higher in FY 2016-17 as compared to other years and other components of R&M expenses (Vehicles/electrical etc.). Upon enquiry, AAI submitted that specific major works such as tiling at airside of Terminal building and repairing of cracks and potholes at apron side had taken place which was a onetime actual incurrence in 3 to 5 years. The Authority had noted that as most of these assets were newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority had proposed to allow repairs and maintenance expenses for the Second Control Period to the extent of 6% of the RAB (opening net block of the Second Control Period).

Utilities Costs

- 2.8.33 The Authority had noted that AAI in the MYTP submission has given actual power charges for FY 2020-21 which was considered after netting off the recoveries from the concessionaries and staff. The Authority had proposed to consider the same as per AAI's submission.
- 2.8.34 The Authority had noted that the water charges for FY 2018-19 and FY 2019-20 was 3.5 times higher than FY 2017-18. Upon enquiry, AAI responded that commercial consumption increased by 48% due to award of new commercial contracts for hotel & restaurants and increase in rate of water tanker by 31% due to change in location of source.
- 2.8.35 The Authority had noted that AAI has considered Utilities costs (Power and Water) as net of revenue from concessionaires. The Authority, on the basis of AAI's submissions and its analysis of the same, proposed to consider total Utilities Cost as submitted by AAI for the Second Control Period after applying allocation ratio as proposed by AAI.

Upkeep expenses

- 2.8.36 The Authority had noted that the Upkeep expenses during FY 2017-18 had increased by almost 10 times over FY 2016-17. The Authority had sought clarifications from AAI in this regard. AAI responded that the increase was due to additional requirements such as mechanized cleaning of airport terminal through Mechanized Environmental Support Services (MESS).
- 2.8.37 The Authority had proposed to consider the total upkeep expenses as submitted by AAI for the Second Control Period after applying allocation ratio as proposed by AAI.

CSR Cost

- 2.8.38 The Authority had noted that CSR costs had been considered only in FY 2017-18 and not been included in FY 2016-17, FY 2018-19, and FY 2019-20 as part of Aeronautical Expenditure in AAI's submissions. Upon enquiry, AAI responded it was considered only in FY 2017-18 due to an error and informed that the CSR cost is incurred by AAI as a whole and attributed to airports based on the requirement of activities to be conducted for CSR activities.
- 2.8.39 As per Hon'ble TDSAT Order on BIAL, the Authority had proposed that CSR expenses would be allowed as cost of the airport operator. The Authority had considered the statutory requirement under the Companies



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Act, 2013 for computation of CSR expenses, mandating a spend of 2% of the average net profits of the company made during the 3 immediately preceding financial years. The Authority had accordingly computed the average aeronautical profits of the past three years. The actual CSR spend had accordingly been allocated between aeronautical and non-aeronautical profits. The Authority had proposed to allow the actual cost incurred subject to ceiling of 2% spend as mandated under Companies Act.

Table 51: CSR cost proposed to be considered by the Authority in true up of Second Control Period as part of Consultation Paper

(Rs. in Lakhs)						
Particulars	FY17*	FY18*	FY19*	FY20	FY21	Total
Revenue from Regulated Services (a)	4,522.61	8,411.20	19,118.72	17,749.76	5,072.10	54,874.40
Operating Expenditure (other than CSR included in Admin & Gen Expenses) (b)	5,354.94	6,459.97	7,773.82	8,419.40	7,831.90	35,740.02
Working Capital Interest (c)	-	-	-	-	-	-
Depreciation (d)	693.75	688.23	1,005.44	1,132.28	728.17	4,247.88
Total Expenditure (b)+(c) +(d) = (e)	5,948.69	7,148.20	8,779.26	9,551.68	8,560.07	39,987.90
Regulatory operating Profit before tax (a)-(e) = (f)	(1,426.08)	1,263.00	10,339.46	8,198.08	(3,487.97)	14,886.50
Total PBT (g)	923.50	3,951.45	15,942.55	13,264.02	(1,895.21)	32,186.31
Aero PBT Ratio (h=f/g)	0.00%	31.96%	64.85%	61.81%	0.00%	
Amount spent by Airport towards CSR (i)	10.67	21.78	115.40	59.99	59.99	267.84
Aero CSR spent by AAI (j=k*i)	-	6.96	74.84	37.08	-	118.88
Average of previous 3 FY's Aeronautical profits (k)	(2,820.00)	(2,385.36)	(954.36)	3,392.13	6,600.18	
2.00% of the average PBT (mandatory spend) (l=2%*k)	-	-	-	67.84	132.00	199.85
Lower of j & l	-	-	-	37.08	-	37.08

* Note: The Authority had noted that Pune International Airport has negative average profits of the immediately preceding 3 Financial Years for the 3 tariff years viz: FY 2016-17, FY 2017-18 and FY 2018-19. Hence, the Authority proposed not to allow CSR reimbursement for these years.

O&M expenses for FY 2020-21

2.8.40 The Authority had noted that O&M expenses for FY 2020-21 was estimated by taking a growth rate of 10% (and 5 to 7% in the case of payroll costs) over the FY 2019-20 expenses. Since FY 2020-21 traffic was low due to the pandemic, the Authority was of the opinion that the O&M expenses of FY 2020-21 may not be more than that of FY 2019-20. Therefore, the Authority had proposed to estimate the FY 2020-21 expenses by considering Nil growth over FY 2019-20.

Financing Charges (Interest on Term Loan)

2.8.41 The Authority had noted that AAI claimed interest on term loan as separate line item in ARR true up of Second Control Period. The interest on loan submitted by AAI consists of interest payment on long term debt after the assets have been commissioned. The Authority had noted that this financing charge is already considered in FRoR and hence proposed to not allow the interest on term loan from true up of ARR for the Second Control Period.

2.8.42 Based on its analysis of AAI's submissions, the decisions taken in the Second Control Period tariff order and as discussed above, the Authority had proposed the following operations and maintenance expenditure for true up during the Second Control Period.



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Table 52: Aeronautical Operating and Maintenance Expenses for Second Control Period proposed by the Authority as part of Consultation Paper

(Rs. in Lakhs)

Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll expenditure	A	2,436.74	2,528.37	2,903.27	2,631.58	2,552.09	13,052.06
Apportionment of CHQ/RHQ expenses	B	102.24	475.04	798.00	422.89	422.89	2,221.06
Total Payroll Expenditure	C=A+B	2,538.98	3,003.41	3,701.27	3,054.47	2,974.98	15,273.12
Administrative & General Expenditure	D	130.55	369.76	453.20	401.77	364.69	1,719.98
Apportionment of administrative & general expenses to CHQ/RHQ	E	1,311.29	1,660.58	1,951.65	3,143.89	2,986.69	11,054.10
Total Administrative & General Expenses	F=D+E	1,441.84	2,030.35	2,404.85	3,545.66	3,351.38	12,774.08
Repairs & Maintenance Expenses	G	480.18	473.31	466.24	551.94	612.54	2,584.21
Power charges	H	627.40	700.78	753.13	800.80	608.78	3,490.90
Water charges	I	33.85	32.70	106.10	119.04	27.13	318.82
Hire charges	J	60.94	120.75	139.12	193.38	193.38	707.59
Other utilities	K	52.01	22.79	29.28	17.87	17.87	119.82
Total Utility & Outsourcing Expenses	L=H+I+J+K	754.21	877.03	1,027.63	1,131.09	847.16	4,637.12
Other Outflows (UDF charges)	M	39.72	75.87	173.84	173.32	45.83	508.58
Total Aeronautical Operating Expenses	N=C+F+G+L+M	5,254.94	6,459.97	7,773.82	8,456.48	7,831.90	35,777.10

- 2.8.43 The Authority had reiterated its observation made in the Second Control Period that it expects AAI to evaluate opportunities for rationalization of costs and optimize the O&M costs incurred.
- 2.8.44 The Authority accordingly had proposed to consider the aeronautical operating and maintenance expenditure as per Table 52 for the purpose of calculating true up of ARR for Second Control Period.

Stakeholders' comments on true up of Operating and Maintenance Expenses for the Second Control Period

- 2.8.45 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with respect to true up of operating expenses for the Second Control Period. The comments are as follows:

AAI's comments regarding true up of Operating and Maintenance Expenses for the Second Control Period

- 2.8.46 AAI's comments regarding Pay and allowances of CHQ and RHQ is as follows:

"AERA's Contentions

Reference is invited to para 2.8.6 to 2.8.20 of the CP which stated as follows:



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- AAI has considered pay and allowance of Commercial department at CHQ & RHQ as Aeronautical expenses, whereas such expenses are non-aeronautical in nature.
- AAI has excluded pay and allowances of employees involved in ATM, CNS & Cargo department at CHQ & RHQ while working out the allocation to airport. However, no exclusion has been done for support services of department relating to HR, Finance, Civil, Terminal Management (Housekeeping), etc.
- AAI has considered 5% of Expenses (after excluding revenue) towards non-aeronautical income. The Authority is of the view that percentage share of expenses should be worked out on total outflow of pay and allowances.
- Manpower of CHQ & RHQ is also providing services to non-Aero activities i.e. ATC, CNS cadres at respective airports. Hence, pay and allowances needs to be adjusted accordingly.
- Considering all the facts and figures as stated above, the Authority is of the following view:
 - 20% of pay and allowances of CHQ and RHQ is to be excluded towards the following:
 - Support services to ANS, Cargo & Commercial at CHQ, RHQ and airport
 - Officials of Directorate of Commercial
 - Balance 80% of pay and allowances of CHQ & RHQ can be allocated to Airport

AAI's comments

- AERA has considered the actual CHQ/RHQ expenses for determination of aeronautical tariff charges in case of Amritsar, Varanasi, Trichy and Raipur airports.
- AAI has resubmitted the CHQ/RHQ Allocations for the F.Y. 2016-17 to 2020-21 vide e-mail dated 24.12.2021 after a detailed analysis which has not been considered in CP.
- In respect of 20% of exclusion of Pay and Allowances excluded by AERA, AAI has submitted 5% of the Net Expenses of CHQ & RHQ to be considered as non-aero expenses that includes commercial, Land and Common Staff those who are working for ANS as well for land and Commercial departments.
- As per AERA view, that percentage share of expenses should be worked out on total outflow of pay and allowances. AAI has calculated/worked on same. The detail of workings for the F.Y. 2016-17, 2017-18 & 2020-21 are as under:

Refer CHQ RHQ Allocations for the F.Y.2016-17, 2017-18, 2019-20 and 2020-21 provided to AERA vide e-mail dated 24.12.2021

Statement showing that AAI has considered Expenditure in the Ratio of 50:50 instead of 30:70 among ANS & Airport respectively.

(Rs. in Lakhs)



TRUE UP FOR THE SECOND CONTROL PERIOD

Particulars	FY 17				FY 18			
	11000 CHQ		11000 CHQ		11000 CHQ		11000 CHQ	
	Ratio		Ratio		Ratio		Ratio	
	0.5	0.5	0.3	0.7	0.5	0.5	0.3	0.7
	ANS	APT	ANS	APT	ANS	APT	ANS	APT
Admin. And General Expenses								
Insurance	312.63	312.64	187.58	437.69	530.83	530.95	318.53	743.27
Advt. And Publicity	346.83	346.83	208.1	485.36	317.71	317.71	190.63	444.79
Telephone Charges	29.46	29.46	17.67	41.24	33.03	33.03	19.82	46.24
Printing And Stationary	64.75	64.75	38.85	90.65	103.61	103.61	62.17	145.06
Legal Exp.	167.89	167.89	100.73	235.04	872.21	872.21	523.33	1221.09
Travelling Exp.	889.46	889.46	535.68	1245.25	1141.61	1141.61	684.97	1598.26
Upkeep Exp.								
Municipal Taxes	29.49	29.49	17.69	41.28	29.49	29.49	17.69	41.28
Watch & Ward Exp.	3.33	3.33	2.01	4.69	8.73	8.73	3.24	12.22
Hiring Of Manpower	6.78	6.78	4.07	9.49	20.96	20.96	12.58	29.34
Fuel To Aircrafts								
Meteorological Charges	12296.08	0	12296.08	0	12877.54	0	12877.54	0
Import License, Etc	0	124.59	0	124.59	6.85	241.5	6.85	241.5
Admission Fee					-522.44	-223.9	-522.44	-223.9
Interest	812.66	1577.51	812.66	1577.51	512.7	911.47	512.7	911.47
Acc Exp.								
Prior Period Exp.	-216.93	-216.93	-130.16	-303.7	-9.25	-9.25	-5.55	-12.95
Other Exp.	890.56	876.42	528.32	1238.65	815.95	818.32	490.79	1143.48
Total	15633.01	4212.23	14617.29	5227.95	16739.54	4796.43	15194.82	6341.16
Repair & Maint. Exp.								
R&M Civil	200.18	200.18	120.11	280.25	282.62	307.07	169.57	420.12
R&M Electrical	129.47	129.47	77.68	181.26	152.87	152.87	91.72	214.02
R&M Vehicles	19.61	38.03	15.45	42.2	5.44	15.56	5.29	15.71
R&M Furniture & Fixtures	7	7	4.2	9.8	22.87	22.87	13.72	32.01
R&M Electronics	6961.18	37.48	6946.18	52.47	6011.67	60.9	5987.32	85.25
R&M It Hardware	439.33	439.33	263.6	615.06	482.83	482.83	289.7	675.96
R&M It S/W	486.43	486.43	291.80	681	875.29	875.29	525.18	1225.41
Total	8243.2	1337.92	7719.08	1862.04	7833.59	1917.39	7082.49	2668.49
Utilities And Outsourcing								
Electricity Expenses	182.64	182.64	109.59	255.7	202.69	202.69	121.61	283.77
Consumption Of Stores and Spares	1008.28	1.76	1008.28	1.76	1.53	1.53	0.92	2.14
Water Charges	0	0	0	0				
Fees Paid to Outsiders/Consultancy Charges	3016.41	3016.41	1809.84	4222.97	1856.66	1856.92	1113.89	2599.69
Hire Charges Car, Jeep & Others	17.74	51.64	17.42	51.96	10.11	24.75	8.99	25.87
Total	4225.07	3252.45	2945.14	4532.39	2070.99	2085.89	1245.42	2911.46
Depreciation	668.91	670.65	401.69	937.86	810.09	810.4	486.11	1134.37



TRUE UP FOR THE SECOND CONTROL PERIOD

Particulars	FY 17				FY 18			
	11000 CHQ		11000 CHQ		11000 CHQ		11000 CHQ	
	Ratio		Ratio		Ratio		Ratio	
	0.5	0.5	0.3	0.7	0.5	0.5	0.3	0.7
	ANS	APT	ANS	APT	ANS	APT	ANS	APT
Total	668.91	670.65	401.69	937.80	810.99	810.4	486.11	1134.37
CSR	1695.23	3290.73	1695.23	3290.73	803.19	1427.89	803.19	1427.89
Total	1695.23	3290.73	1695.23	3290.73	803.19	1427.89	803.19	1427.89
Research And Development Expenses	0	641.6	0	641.6	64.74	0	64.74	0
Total	0	641.6	0	641.6	64.74	0	64.74	0
Total Expenditure	30465.41	13405.59	27378.43	16492.57	28322.14	11038	24876.77	14483.37
	43871		43871		39360.14		39360.14	
		3086.99	Lakhs			3445.37	Lakhs	
		16	Lakhs			18	Lakhs	
Employees Considered for CHQ Allocations		192.94	No. of Employees			191.41	No. of Employees	
Employees Should Have Been Considered		100.2	No. Employees			164	No. Employees	

Actual Employees for Airport Segment								
Segment	Employees	No. of Fin & HR common employees	REVISED STRENGTH		Employees	No. of Fin & HR common employees	REVISED STRENGTH	
ANS	245	28	217	217	330	23	307	307
Airport	1360	776	584	1388	1281	737	544	1304
				1605				1611
Cargo	0		0		11		11	
Commercial	9		9		18		18	
Land	6		6		12		12	
				1403				1334
Total	1620	804	816		1652	769	892	
	1620				1652			
	0				0			
Proportion of HR & Fin to ANS		104.9	No. Employees			140.4	No. Employees	
Proportion of HR & Fin to Non-aero		8.3	No. Employees			16.6	No. Employees	
Total No. common employees' salary should have been gone to ANS & NON-AERO		100.2	No. Employees			164	No. Employees	

Refer CHQ RHQ Allocations for the F.Y.2016-17, 2017-18, 2019-20 and 2020-21 provided to AERA vide e-mail dated 24.12.2021



TRUE UP FOR THE SECOND CONTROL PERIOD

Statement showing that AAI has considered Expenditure in the Ratio of 50:50 instead of 30:70 among ANS & Airport Respectively.

(Rs. in Lakhs)

Particulars	FY 21			
	11000 CHQ		11000 CHQ	
	Ratio		Ratio	
	0.5 ANS	0.5 APT	0.3	0.7
Admin. And General Expenses				
Insurance	1967.74	1968.06	1180.71	2755.09
Advt. And Publicity	94.16	94.16	56.49	131.82
Telephone Charges	22.37	22.37	13.42	31.32
Printing And Stationery	38.86	38.86	23.32	54.4
Legal Exp.	923.94	923.94	554.37	1293.52
Travelling Exp.	176.33	176.33	105.8	246.86
Uplkeep Exp.	0.65	0.65	0.39	0.9
Municipal Taxes	29.57	29.57	17.74	41.4
Watch & Ward Exp.	7.75	7.75	4.65	10.86
Hiring Of Manpower	58.11	58.11	34.87	81.36
Fuel To Aircrafts				
Meteorological Charges	13913.69	0	13913.69	0
Import License. Etc				
Admission Fee	461.87	197.94	461.87	197.94
Interest				
Acc Exp.	0.1	0.1	0.06	0.15
Prior Period Exp.	-373.74	-373.74	-224.24	-523.23
Other Exp.	4975.03	4931.22	2973.86	6932.38
Total	22296.44	8075.34	19117	11254.77
Repair & Maint. Exp.				
R&M Civil	804.27	804.27	482.56	1125.97
R&M Electrical	342.21	342.21	205.33	479.1
R&M Vehicles	4.08	9.24	4.63	9.29
R&M Furniture & Fixtures	0.14	0.14	0.08	0.19
R&M Electronics	8808.79	137.78	8753.67	192.9
R&M It Hardware	551.81	551.81	331.08	772.53
R&M It S/W	706.11	706.11	423.67	988.55
Total	11217.4	2551.56	10200.43	3568.53
Utilities And Outsourcing				
Electricity Expenses	228.44	228.44	137.06	319.81
Consumption Of Stores and Spares	0.13	0.15	0.08	0.2
Water Charges	0.37	0.37	0.22	0.52
Fees Paid to Outsiders/Consultancy Charges	1141.29	1141.29	684.77	1597.81
Hire Charges Car/Jeep & Others	3.19	6.7	2.62	7.28
Total	1373.42	1376.94	824.76	1925.61
Depreciation				
Total	1527.54	1527.6	916.53	2138.6
CSR				
Total	118.58	304.93	118.58	304.93
Research And Development Expenses				
Total	0	0	0	0



TRUE UP FOR THE SECOND CONTROL PERIOD

Particulars	FY 21			
	11000 CHQ		11000 CHQ	
	Ratio		Ratio	
	0.5	0.5	0.3	0.7
	ANS	APT		
Total Expenditure	36533.38	13836.37	31177.3	19192.44
	30369.74		30369.74	
		5356.07	Lakhs	
		25	Lakhs	
Employees Considered for CHQ Allocations		214.24	No. of Employees	
Employees should have been considered		171.4	No. Employees	

Actual Employees for Airport Segment				
Segment	Employees	No. of Fin & HR common employees	REVISED STRENGTH	
ANS	341	21	320	320
Airport	1195	692	503	1216
				1536
Cargo	15		15	
Commercial	19		19	
land	12		12	
				1247
Total	1582	713	869	
	1582			
Proportion of HR & Fin to ANS			144.2	No. Employees
Proportion of HR & Fin to Non-aero			17.2	No. Employees
Total No. employee's salary should have been gone to ANS & AERO			171.4	No. Employees

- Based on the above, detailed workings have been done for the F.Y. 2016-17, 2017-18 and 2020-21 wherein, it has been found that the ANS and Airport Employee Strength is 1620 Nos., 1652 Nos. & 1582 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.

Particulars	FY 17	FY 18	FY 19
			No. of Employees
Airport	1360	1281	1195
ANS	245	330	341
Common (Non-Aero & ANS)	85	123	122
Non-Aero	15	41	49
Total (Common + Non-Aero)	100	164	171
Airport + ANS	1605	1611	1536
Total strength	1620	1652	1582
Ratio of Airport & ANS	78:22:00	79:21:00	78:22

- The Common Finance & HR Employees for ANS & Non-Aero and Non-Aero i.e., commercial & Land comes out to 100 Nos., 164 Nos., & 171 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.



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- The Average Salary for the calculation has been taken as Rs. 16 Lakh, Rs. 18 Lakhs & Rs. 25 Lakhs per employee for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.
- The revised ratio of Airport & ANS after considering the common employees are hovering around 78:22.
- In the calculations of CHQ & RHQ allocations, Expenditures (excluding pay & allowance) ratio of 50:50 has been applied among Airport & ANS whereas, the ratio for the sake of convenience is considered as 70:30 among Airport & ANS on the basis of Number of employees.
- By applying 70:30 Ratio instead of 50:50 in the above expenditure, the excess amount in F.Y. 2016-17, 2017-18 & 2020-21 comes out to Rs. 31 crores, Rs. 34 crores & Rs. 54 Crores respectively.
- With Average salary assumed and the excess amount of the expenditure for the above-mentioned Financial Years the number of employees comes out to 192 Nos., 191 Nos., & 214 Nos. for the F.Y. 2016-17, 2017-18 & 2020-21 respectively.

AAI's Request

- In view of above, AAI has requested the Authority to consider Net expenses of CHQ/RHQ as per Second Control Period order i.e. @ 5% as non-aero and common expenses instead of 20%.
- Also, AAI will undertake a study for CHQ & RHQ allocations to devise a robust methodology for allocation."

2.8.47 AAI's comments regarding Admin and General Expenses of CHQ and RHQ are as follows:

"AERA's Contentions

- Reference is invited to para 2.8.21 of the CP which stated as follows: " AAI has incurred Legal & Arbitration Expenses at CHQ & RHQ level. The Authority is of the view that this expense should be analysed and distributed to stations on a case-to-case basis. Such details have not been provided by AAI. In the absence of details, the Authority, proposes to not consider such expenses to be allocated to the respective airport.
- AAI has paid Interest/penalties to Government of India at CHQ & RHQ level. Authority is of considered view that Stakeholders should not be burdened with interest/penalties paid to Govt. of India, due to various lapses/delays on part of the Airport Operator. Hence such expenses have not been allocated to the respective airport.
- The Authority proposes to reduce overall cost by 5% from FY 2019-20 for estimating the figures of FY 2020-21 due to impact of COVID-19 and non-availability of actual data."

AAI's Submission

- AAI has provided all the replies to the queries in respect of CHQ/RHQ allocations from time to time. Further, AAI has provided the General Ledgers of all the expenses sought by the Consultant. In view of this, AAI submits that the Legal & Arbitration Expenses at CHQ & RHQ level may be considered by AERA.

(Rs. In Lakhs)

The Impact of Legal & Arbitration Expenses of CHQ (Profit Centre 11000)						
Particulars	FY 17			FY 18		
	Total	ANS	AIRPORT		ANS	AIRPORT
	TB Figure	50%	50%	TB Figure	50%	50%
OAAI/802001000 Legal fees & Exp.	322.91	161.46	161.46	702.43	351.21	351.21
OAAI/300021000 Arbitration Exp.	12.86	6.43	6.43	27.6	13.8	13.8
OAAI/729005050 Arbit-Award Other Cost				1014.39	507.2	507.2



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<i>The Impact of Legal & Arbitration Expenses of CHQ (Profit Centre 11000)</i>						
<i>Particulars</i>	<i>FY 17</i>			<i>FY 18</i>		
	<i>Total</i>	<i>ANS</i>	<i>AIRPORT</i>		<i>ANS</i>	<i>AIRPORT</i>
	<i>TB Figure</i>	50%	50%	<i>TB Figure</i>	50%	50%
<i>Total</i>	335.77	167.89	167.89	1744.42	872.21	872.21

(Rs. in Lakhs)

<i>The Impact of Legal & Arbitration Expenses of CHQ (Profit Centre 11000)</i>						
<i>Particulars</i>	<i>2018-19</i>			<i>2019-20</i>		
	<i>Total</i>	<i>ANS</i>	<i>AIRPORT</i>	<i>Total</i>	<i>ANS</i>	<i>AIRPORT</i>
	<i>TB Figure</i>	50%	50%	<i>TB Figure</i>	50%	50%
<i>OAAI/802001000 Legal fees and Exp.</i>	818.25	409.12	409.12	632.08	316.04	316.04
<i>OAAI/800021000 Arbitration Exp.</i>	618.58	309.29	309.29	118.42	59.21	59.21
<i>OAAI/729005030 Arbit-Award Other Cost</i>	912.09	456.05	456.05	7.99	3.99	3.99
<i>Total</i>	2348.92	1174.46	1174.46	758.49	379.24	379.24

Above figures do not include the following expenditure

2016-17	Rs. 4.87 lakhs deducted on account of legal & arbitration pertaining to DIAL & MIAL
2017-18	Rs. 13.74 lakhs deducted on account of legal & arbitration pertaining to DIAL & MIAL
2018-19	Rs. 118.50 pertains to DIAL & MIAL. Not considered
2019-20	Rs. 255.64 Lakhs legal and prof expenses of DIAL, MIAL

- The Legal and arbitration Expenses details are provided for the F.Y. 2016-17 to 2019-20, wherein, it has been clearly shown that all the expenses are allocated to ANS and Airport in the Ratio of 50:50. The Expenses pertaining to JVC's have been deducted before allocating to ANS and Airport. It is to be noted that the legal and arbitration expenses are mainly for the Airport Segment, but allocations to ANS have been done for 50%.
- It is very difficult at this stage to book Legal & Arbitration Expenses to a particular profit centre. Henceforth, AAI will book Legal & Arbitration Expenses specific profit centre from F.Y. 2021-22 onwards.
- The impact of Legal & Arbitration Expenses to Airport Segment is only Rs. 26 Crores. Whereas similar expenses have been shifted to ANS Segment.

AAI's Request

- In view of above, AAI request the Authority to consider the Legal & Arbitration Expenses as provided by AAI for CHQ Allocations."

2.8.48 AAI's comments regarding Cost Relatedness are as follows:

"AERA's Contentions

- Reference is invited to para 2.8.24 of the CP which stated as follows: "The Authority is of the view that the users should pay only for the services availed by them. Further, in line with section 13 of the AERA Act, 2008



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the Authority has a scope of determining tariff in respect of Aeronautical services provided/ capital expenditure incurred only by that particular airport. This view is also consistent with ICAO's principle of 'Cost-relatedness'. Based on the above principles, the Authority had tried to rationalize the CHQ/ RHQ expenses being allocated to Pune International Airport. The Authority further would highlight the following issues for tariff determination in future and recommends AAI to adopt a rational approach while allocating CHQ and RHQ expenses to the individual airports:

- *AAI is allocating CHQ & RHQ expenses to airports in the proportion of revenue earned by them.*
- *AAI is managing around 100 non-Major airports. Tariff determination at these airports is not on regular basis and invariably revenues at these airports do not cover their expenditures. Resultantly, substantial portion of CHQ & RHQ expenses of these airports is allocated to major airports.*
- *AAI is not exploiting non traffic avenues fully. Due to the same, non-traffic revenues remains low at airports. AAI is advised to exploit the potential of non-traffic avenues fully so that 30% of the same by cross subsidization could be used to cover aeronautical expenses.*
- *Allocation of CHQ & RHQ expenses based on revenue is not transparent and efficient method, as it brings in large variation in such expenses on a YoY basis due to change in revenue and is against the basic principle of cost relatedness in tariff determination. Users of the major airports has to pay higher tariff due to higher allocation of CHQ/RHQ expenses to these airports. Further, as the revenue from these airports go up due to higher tariffs, it further leads to higher allocation of CHQ/RHQ expenses with chain of cascading effect.*
- *The Authority, therefore, expects AAI to examine these issues in detail and devise robust methodology for allocation of CHQ & RHQ expenses on priority."*

AAI's submission:

- *AAI submits that AAI is in full agreement that there ought to be 'cost relatedness' while allowing it to be included in the ARR.*
- *AAI will undertake a study for CHQ & RHQ allocations to devise a robust methodology for uniformity and standardization of allocations.*
- *AAI has maintained uniformity & standardization in allocation of CHQ & RHQ allocations as submitted on 24.12.2021.*

AAI's Request

- *In view of above, AAI request the Authority to go through the submission of CHQ/RHQ allocation which is submitted to AERA on 24.12.2021 and same may be considered in the true up exercise of 2nd control period. AAI submits that, based on the above computation, the expenses for Third Control Period may also be considered by AERA as per MYTP."*

2.8.49 AAI's comments regarding Repairs and Maintenance- Actuals not being allowed but taken @ 6% of Opening RAB are as follows:

"AERA's Contentions

- *Reference is invited to para 2.8.31 of the CP which stated as follows: The Authority noted that AAI has submitted R&M expenses at actuals for FY 2016-17 to FY 2019-20. The Authority has analysed the R&M*



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expenses and noted that R&M expenses related to Civil is higher in FY 2016-17 as compared to other years and other components of R&M expenses (Vehicles/electrical etc.). Upon enquiry, AAI submitted that specific major works such as tiling at airside of Terminal building and repairing of cracks and potholes at apron side has taken place which is a onetime actual incurrence in 3 to 5 years. The Authority notes that as most of these assets are newly constructed/ installed during the last 5 years and are also covered under warranty clauses, the same may need only minimum repairs and maintenance. Hence, the Authority proposes to allow repairs and maintenance expenses for the Second Control Period to the extent of 6% of the RAB (opening net block of the Second Control Period).

AAI's Submission

- There are various heads of R&M expenses which are incurred for Operational Requirements, Regular maintenance of the airport infrastructure and equipment at the airport.
- The costs captured by the airports in their respective trial balances are based on the actual spend. To determine the costs, there are detailed tendering mechanisms for every contract and approving authorities. Further, the airports are subject to C&AG audit on a yearly basis
- AERA in the Second Control Period has approved Rs. 41.80 Crores for R&M Expenses Whereas, AAI has submitted for true-up of Second Control Period expenses amounting to Rs. 35.28 (includes F.Y. 2020-21 projections). Thus, there is a saving of Rs. 5.5 crores for the Second Control Period true-up.

(Rs. in Lakhs)

Actual repairs & maintenance expenses for the SCP						
GL Code & Name	FY 17	FY 18	FY 19	FY 20	FY 21	
GAAI/731001000	R & M Civil Runways	11.44				
GAAI/731002000	R&M-Civil T/w aprons	114.19	0.07	0.12		
GAAI/731003000	R&M- TB & Other Bldgs. -Ops	140.86	130.79	69.2	107.18	127.86
GAAI/731004000	R&M-Cargo Bldg.	5.76				
GAAI/731006000	R&M- Other Bldgs.	3.19	0.13			0
GAAI/731008000	R&M-Fencing ,Sec .Brw	6.64				
GAAI/731009000	R & M: Civil: General	126.23	180.38	67.15	13.73	-0.91
GAAI/731010000	R&M: Road & Culvert	7.54				
GAAI/731011000	R & M: Spl Repairs			0.11		
	Sub-total	415.84	311.38	136.58	120.9	126.95
GAAI/731101000	R&M-A/C Eqpt.	50.29	46.62	82.98	135.59	148.4
GAAI/731102000	R&M: Powe Su.&Gen. Set	3.48	3.96	4.2	3.65	8.83
GAAI/731103000	R&M-Ornd. light	7.95				
GAAI/731104000	R & M: Elec. Instl.	80.47	95.55	74.79	90.41	134.75
GAAI/731105000	R & M: Elec. Others	48.54	7.07	36.22	39.2	68.67
GAAI/731106000	R & M: Spl Repairs	0		0.03		
	Sub-total	199.73	155.2	198.21	268.86	360.65
GAAI/731206000	R & M: FF Veh & Eqp.	0		0.62	23.97	4.44
GAAI/731207000	R & M: Vehicle & Other	2.2	0.72	0.93	0.72	0.48
GAAI/731209000	R&M- Fire Rep			0.03		
	Sub-total	2.2	0.72	1.58	26.69	4.92



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Actual repairs & maintenance expenses for the SCP					
GL Code & Name	FY 17	FY 18	FY 19	FY 20	FY 21
OAAI/731302000 R & M: F&F-T, Bldg				1.09	2.95
Sub-total	0	0	0	1.09	2.95
OAAI/731401000 R&M:-Surveillance Eq.	2.49		8.53	13.05	21.3
OAAI/731402000 R&M-Comm. Eqpts	1.5	1.19	4.67	2.98	2.32
OAAI/731406000 R&M-Facil. Eqpts					0.48
OAAI/731407000 R&M-Sec. Eqpts.	6.95	16.13	5.08	0.35	0.71
OAAI/731407005 R&M Bot XBIS Lease		24.4	68.83	2.26	
OAAI/731407010 R&M-Electron-Spl Rep	1.82	1.58	2.25	3.11	0.91
OAAI/731409000 R&M-Other CNS Eqpt	0.67	0.69	0.74		1.01
OAAI/731501000 R&M: Comp., IT H/W	10.19	21.83	22.39	35.56	37.69
OAAI/733001000 AOCU Expenses	170.4	212.62	170.04	169.19	170.04
Sub-total	194.03	278.43	282.54	226.51	234.44
Grand Total	811.8	745.74	618.91	644.05	729.91

Note: Table contains actual figures for the F.Y. 2020-21 submitted to AERA vide e-mail dated 24.12.2021

- Pune Airport is more than 40 Years old. Terminal Building expansion was in two phases, 1st phase during 2006 and then in 2010. Old Apron expansion was in two phases, first in 2007 and then in 2008. New Apron is constructed in 2018 for which no maintenance work other than Apron markings is done till date. Hence the note of AERA vide para 2.8.3.1 that "most of these assets are newly constructed/ installed during the last 5 years and are also covered under warranty clauses" is not correct. On the contrary, the assets are very old and warranty period got over within one year of construction i.e., almost 10 years back from the beginning of second control period.
- AAI submits that with ageing of the building and associated equipment, the R&M will only increase over the years. Applying a ratio on the depreciated WDV will further reduce the cost whereas the reality is that the costs will only increase over the years to make good the wear and tear over the years.
- Every station of AAI is subject to C&AG audit on a yearly basis. Hence, the costs captured by the airports in their respective trial balances are based on the actual spend.

AAI's Request

- AAI requests AERA to consider the actual costs incurred for the second control period without restricting it to 6% on opening Net RAB.

2.8.50 AAI's comments regarding CSR-Disallowed for 3 tariff years i.e., 2016-17, 2017-18 & 2018-19 are as follows:

"AERA's Contentions

- Reference is invited to para 2.8.37 of the CP which stated as follows, " The Authority noted that CSR costs have been considered only in FY 2017-18 and not been included in FY 2016-17, FY 2018-19, and FY 2019-20 as part of Aeronautical Expenditure in AAI's submissions. Upon enquiry, AAI responded it was considered only in FY 2017-18 due to an error and informed that the CSR cost is incurred by AAI as a whole and attributed to airports based on the requirement of activities to be conducted for CSR activities.



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- As per Hon'ble TDSAT Order on BIAL, the Authority proposes that CSR expenses would be allowed as cost of the airport operator. The Authority has considered the statutory requirement under the Companies Act, 2013 for computation of CSR expenses, mandating a spend of 2% of the average net profits of the company made during the 3 immediately preceding financial years. The Authority has accordingly computed the average aeronautical profits of the past three years. The actual CSR spend has been allocated between aeronautical and non-aeronautical profits. The Authority proposes to allow the actual cost incurred subject to ceiling of 2% spend as mandated under Companies Act.
- The Authority notes that Pune International Airport has negative average profits of the immediately preceding 3 Financial Years for the 3 tariff years viz FY 2016-17, FY 2017-18, and FY 2018-19. Hence, the Authority proposes not to allow CSR reimbursement for these years "

AAI's Submission

- In accordance with the requirements of the DPE guidelines on CSR and Sustainability and Section 135 of the Companies Act, 2013, two percent of the average net profits (to be calculated in accordance with the provisions of the Act) during the three immediately preceding financial years will be allocated for CSR activities every year.
- AAI has constituted a CSR Committee. The composition and terms of reference of the CSR Committee is provided in the Report on Corporate Governance, which forms part of this Annual Report. AAI has also formulated a Corporate Social Responsibility Policy, which is available on AAI's website.
- The overview of various CSR projects and programme undertaken by AAI and detail amount spent on CSR across India in different projects are there in the Annual Report at AAI website.
- CSR Budget will be utilized for implementing CSR projects approved by the Board on an annual basis. The budget allocation to the CSR Schemes shall be made in the beginning of every financial year after considering the CSR budget for that year. AAI is committed to play a larger role in India's sustainable development by embedding wider economic, social, and environmental objectives.
- CSR provisions are made on the basis of 2% of Average profits of preceding 3 financial years at Corporate Headquarter Level.
- CSR calculation for 2nd control period of Pune Airport has been carried out on the basis of Aeronautical and Non-Aeronautical Revenue for the F.Y. 2013-14, 2014-15 & 2015-16 (Single Till basis) whereas, Hybrid Till i.e., 30% of the Non-aeronautical Revenue has been considered w.e.f. 2016-17 onwards.
- In case of Pune Airport, the CSR amount to be reimbursed are as under:

(Rs. in Lakhs)

Statement of Calculations for CSR Expenditure in respect of PUNE Airport									
Particulars	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Revenue from Regulated Services (a)	2310	2620	3330	4124.07	8147.45	18810.78	17504.58	4800.08	
Revenue from Non-Aeronautical Services 30% (b)	2130	1820	2160	918.2	1048.48	2029.85	1840.48	664.65	
Operating Expenditure (other than CSR included in Admin	4730	4960	5270	5882.78	7705.5	9875.43	10345.46	9542.11	



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Statement of Calculations for CSR Expenditure in respect of PUNE Airport									
Particulars	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	Total
& Gen Expenses) (c)									
Working Capital Interest (d)	-	-	-	-	-	-	-	-	
Depreciation (e)	310	690	760	713.86	709.07	795.93	941.13	1118.29	
Total Expenditure (c) + (d) + (f) - (g)	5040	5650	6030	6596.64	8414.57	10671.35	11286.59	10660.4	
Regulatory operating Profit before tax (a+b) - (f) - (g)	-600	-1210	-540	-1554.36	781.35	10169.27	8058.47	-5195.67	
Average of previous 3 FY's Aeronautical profits (h)				783.33	-1101.45	-437.67	3132.09	6336.36	
2.00% of the average PBT (mandatory spend) (i=2%*h)							62.64	126.73	189.37
Actual Amount Spent on CSR Activities				10.67	21.78	115.4	59.99	59.99	267.84

NOTE: In the F.Y. 2013-14, 2014-15 & 2015-16 Tariff was determined on the basis of Single Till, therefore 100% Non-Aero Revenue considered for these Years. From F.Y. 2016-17 onwards Hybrid Till is considered.

- On the basis of the above statement, an amount of Rs. 189.37 Lakhs is required to be reimbursed by AERA for Pune Airport as AAI has incurred expenditure on account of CSR as per the provisions of Section 135 of the Act, the Companies (CSR Policy) Rules, 2014 and the DPE Guidelines, 2014.
- AAI as a whole has incurred CSR Expenses from F.Y. 2016-17 to 2020-21 are as under:

Particulars	(Rs. in Lakhs)				
	FY 17	FY 18	FY 19	FY 20	FY 21
CSR Expenses	601.9	719.1	837.9	1257	402.3

AAI's Request

- In view of above, like income tax reimbursement it is requested to reimburse an amount of Rs 189.37 lakhs for Pune Airport during 2nd control period on account of CSR Expenditure.

Other Stakeholders' comments on true-up of Operating expenses for the Second Control Period

2.8.51 FIA's comment regarding true up of Operating expenses for the Second Control Period is as follows:

- We appreciate that AERA is of the considered view that stakeholders should not be burdened with interest/penalties paid to Government of India, due to various lapses/delays on part of the Airport Operator.



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- Pune Airport has paid interest/penalties to Government of India at CHQ & RHQ level. We appreciate that such expenses have not been allocated to the respective airport.
- In addition, it is observed that several estimations in the Second Control period had missed out items as well as not completely considered some items by Pune Airport at time of submission for the Second Control Period. AERA is requested to kindly treat these inaccurate submissions with scrutiny such that the final impact may not substantially vary from the estimates provided.
- Further, it is noted that while AERA expected a reduction on the O&M expenditure over a period of time, still the O&M expenses in the Second Control Period spiraled. We would appreciate AERA to undertake suitable independent study for efficient capital expenditure – For e.g., as done in the case of Kolkata Airport, with an intent to bring down the cost and reduce the ARR during 'True Ups' accordingly.

AAI's counter-comments and response to Stakeholders' comments regarding true-up of Operating & Maintenance Expense for the Second Control Period

2.8.52 In response to FIA's comment regarding true up of Operating expenses for the Second Control Period, AAI responded the following:

- Further, O&M expenses i.e. payroll and R&M, AAI has saved under both the heads as projected in the Second Control period. The actual O&M Expenses i.e. payroll and R&M expenses of AAI for the Second Control Period have gone down in comparison to 2nd Control Period Order thereby resulting in savings as shown below:

(Rs. in lakhs)

Particulars	Approved in SCP	Submitted for True-up	Variation
Pay Roll Expenditure	18750.00	13853.85	4896.15
CHQ & RHQ Payroll exp.	2850.00	1892.16	957.84
R&M Expenditure	4180.00	3550.41	629.59

- The O&M expenses are incurred by AAI based on operational requirements. The expenses are incurred after due diligence based on the powers given to various authorities, and there are also tendering processes for awarding the O&M contracts. Justification for the variation have been provided to the AERA consultant."

Authority's analysis on Stakeholders' comments regarding true-up of Operating & Maintenance expenses for the Second Control Period

CHQ/RHQ-Admin & General Expenses

2.8.53 The Authority notes the comments submitted by AAI on payroll cost (para 2.8.46), legal & arbitration expenses (para 2.8.47) and cost relatedness of CHQ/RHQ expenses (para 2.8.48). The Authority had already perused the workings submitted by AAI vide email dated 17th November 2021 during the MYTP evaluation stage before issuance of Consultation Paper. The Authority had also recorded reasons in the Consultation Paper for not considering the workings and had also captured the changes made to the workings along with the rationale. (Refer para 2.8.13 of this Order).

2.8.54 Subsequently, just before issuance of the Consultation paper, AAI submitted its actual financial information for FY 2020-21 together with revised working of CHQ/RHQ cost on 24th December 2021. It is noted that AAI has included cost of JVC Cell at Mumbai for allocation of RHQ Expenses. The Authority has decided to not consider allocated expenses of JVC Cell, Mumbai to Pune Airport due to reasons stated in para 2.8.67.



- 2.8.55 AAI has provided certain workings as part of the stakeholders' comments. On analysis of the same, following are observed:
- AAI has submitted that the Admin and General expenses which was earlier allocated between ANS and Airport as 50%-50%, has been considered as 30%-70% now and if the same is considered by the Authority, this reallocation would nullify the 20% allocation in gross pay and allowances considered by the Authority as towards Non-Aero / Non-Airport activities.
 - The Authority notes that AAI has not provided any rationale, basis, or workings to substantiate this shift in methodology done by AAI. Also, AAI had submitted its workings on 17th November 2021 after getting approval of the policy from the Competent Authority. No such approval of revised policy was intimated by AAI while submitting revised allocation during stakeholders' process.
 - It appears that AAI revisits its own submissions multiple times in hindsight, to suit its requirement. It also appears that the computations are not policy based and without much forethought.
 - The Authority has detailed its rationale and analysis and accordingly considered the allocation of 20% of costs towards other than aeronautical activities. The Authority is not in receipt of any further clear information in this regard that would necessitate revisiting the method adopted in the consultation stage.
 - Hence, the Authority does not find merit in the request of AAI to consider 5% of costs to be allocated to non-aero activities and also does not consider any re-adjustment of allocation of Admin and General Expenses necessary than what was considered at the time of issue of Consultation Paper.
- 2.8.56 The Authority notes the comments raised by AAI on legal and arbitration of CHQ/RHQ expenses. The Authority, as indicated earlier, notes that legal charges are paid on a case to case basis. Passengers of one airport should not be burdened to pay for costs that are not related to that airport. AAI has also submitted that going forward, from FY 2021-22, the costs shall be accounted station wise. Hence, the Authority decides not to consider Legal / Arbitration costs on a common basis for division across airports.
- 2.8.57 To summarize, the Authority does not find appropriate rationale, documentation and justification for the requests made by AAI with respect to CHQ / RHQ costs.
- 2.8.58 The Authority notes AAI's comments on undertaking a study for CHQ & RHQ allocations. The Authority expects that AAI will carry out a detailed study and define a comprehensive and robust methodology for implementation across all stations in future. The Authority would true up the CHQ/ RHQ related costs based on review of the actuals and evaluation of the methodology of allocation and reasonableness of the actual costs incurred, subject to a ceiling of 10% beyond estimates at the time of true up of Third Control Period.

Repairs & Maintenance

- 2.8.59 The Authority notes the comments raised by AAI on R&M expenses. The Authority is of the following view:
- As mentioned by the Authority under True up of the Second Control Period, the Authority is of the view that in a competitive environment, it is imperative to run the operations of airport efficiently and adhere to robust economic & accounting principles/methodology. The Authority is of the view that AAI should estimate its expenses towards Repairs & Maintenance based on an analysis of its need, essentiality and in accordance with the other physical conditions (such as the current Covid-19 pandemic), such that the variance between the projections and the actual expenses is within the acceptable limits.



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- Further, any increase in the expense on the older assets would be offset by minimal repairs on the newer assets. Hence, the Authority decides to allow repairs and maintenance expenses for the Second Control Period only to the extent 6% of the RAB (opening net block of the respective years of the Second Control Period).

CSR Expenditure

2.8.60 The Authority noted the comments made by AAI on CSR expenditure. The Authority notes that CSR has been calculated based on the provisions of Companies Act, 2013, where the average net profit in the aeronautical P&L for preceding three years is calculated and CSR has been computed at 2% on such average net aeronautical profit.

- CSR is allowed as a pass-through expenditure only to the extent of the aeronautical operations in the airport. The passengers cannot be burdened to pay tariff on costs based on profits from 'other than aeronautical sources'. The concept of introducing a subsidy factor was to lessen the burden on the airport user by cross-subsidizing the aeronautical tariff by deducting some portion (30%) of the non-aeronautical revenues accruing to the Airport Operator while arriving at the target revenue requirement of the operator.
- As a result, considering subsidy as income while determining CSR Expenditure (Aeronautical Opex), does not arise in this case, as the subsidy is meant for the airport user and not for the Airport Operator who has already earned the non-aeronautical revenue.
- This stand is also consistent with the tariff determination principles as per AERA Guidelines applicable for other major airports in which the cross subsidized non-aeronautical revenues are not considered as part of the aeronautical revenue block during determination of CSR expenditure (Aeronautical Opex). It is further stated that as per Table 61 of this Order, AAI has not considered 30% of non-aeronautical revenues while computing the income tax to be reimbursed as claimed by AAI. Hence, the Authority does not find any merit in this comment of AAI and decides to compute the CSR in the same manner as done in the consultation paper.
- The Authority states that going forward, the method of computation of CSR expense (aeronautical portion) adopted in Pune airport shall be the adopted across all Airports including that of AAI. This would ensure that the computation is uniform across airports. Any changes that may be required in this regard in other airports shall be taken up by the Authority at the time of true up of next control period.

2.8.61 The Authority notes FIA's comment and AAI's counter comment on True up of Operating expenses for the Second Control Period. The Authority has noted variance in the Second Control Period projections and actuals. Necessary adjustments have been carried out in the true up of Opex of the Second Control Period (R&M, CHQ/RHQ etc.). On the matter of independent study, the Authority through its independent consultants engaged for tariff determination process, has reviewed the Operating Expenditure allocation applying the same principles as was done in other airports.

AAI's submission of actual Operating & Maintenance expenses for FY 2020-21

2.8.62 As stated earlier, the Authority had sought data regarding the actual Operating & Maintenance expenses pertaining to FY 2020-21. The same was submitted to the Authority vide AAI's email "In the matter of Determination of Tariff of Pune International Airport for Third Control Period (01.04.2021 to 31.03.2026) and True-up of Second Control Period (01.04.2016 to 31.03.2021) - Updation of Actuals for the F.Y. 2020-21- Reg." dated 24th December 2021.



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2.8.66 The Authority noted that the AAI has not reduced the employee cost involved in the project (for New Terminal Building) for FY 2020-21 from the actual employee cost submitted by AAI. The Authority has reduced the same from Payroll cost in Operating & Maintenance expenses and considered it as part of capital expenditure in RAB.

2.8.67 The Authority noted that the admin and general expenses - CHQ/RHQ for FY 2020-21 has increased substantially. After examining, it was observed that the RHQ-Western Region (herein referred to as 'RHQ') staff cost (allocated to airport segment) has increased by Rs.10,128 lakhs as compared to FY 2019-20. Upon enquiry, AAI submitted that the payroll expenses of JVC Mumbai cell were inadvertently missed to be included in RHQ computations, which were booked under another profit centre till FY 2019-20 and that AAI has rectified the error while submitting the actuals for FY 2020-21 and has requested the Authority to consider the costs booked under Mumbai JVC cell cost centre also as part of RHQ costs for allocation. AAI submitted that the Mumbai JVC cell was formed during privatization of the Mumbai airport but has been only working on monitoring western region airports and not Mumbai JVC after an initial period. The Authority notes the following in this regard:

- CHQ/RHQ cost workings submitted as part of the MYTP and the later revised submissions made on 17th November 2021, did not include the JVC cost centre. This was just included along with the submission of actuals for FY 2020-21.
- The Authority notes that the cost centre nomenclature clearly is Mumbai JVC. The Authority notes that AAI has a well-defined cost centre mapping for costs incurred. Hence, the Authority is not able to find merit in the fact that the costs booked under Mumbai JVC does not pertain to it but is related to entire RHQ operations.
- Further, the Authority understands that portion of JVC employee costs were to be paid by MIAL as per Operation, Maintenance and Development Agreement (OMDA). Extract of OMDA is given below:

6.1.4 At any time during the Operation Support Period but not later than three (3) months prior to the expiry of the Operation Support Period, the JVC shall make offers (on terms that are no less attractive in terms of salary, position, etc. than the current employment terms of such employees) of employment to the General Employees that it wants to employ. Provided however that JVC shall be required to make offers to a minimum of 60.00 % of the General Employees (as reduced for retirements, transfers, death and any fractions to be rounded off to the nearest whole number). Any offers already made and accepted during the Operation Support Period will be counted for the purposes of such minimum number of offers. The General Employees shall have the option of accepting or declining the offers within one month. The General Employees accepting the employment offers of the JVC, upon resigning from AAI, shall cease to be AAI employees from the date of acceptance of the offer or completion of the Operation Support Period, as applicable. The JVC shall be the new employer for these employees on terms and conditions mutually agreed between the JVC and such employees. Provided however that if less than 60.00% of the General Employees (as reduced for retirements, transfers, resignations and death and any fractions to be rounded off to the nearest whole number) accept the offers of employment made by the JVC, then the JVC shall pay to AAI Retirement Compensation for such number of General Employees as represent the difference between 60.00% of the General Employees (as reduced for retirements, transfers, death and any fractions to be rounded off to the nearest whole number) and the number of General Employees accepting offers of employment made by JVC, including cumulatively the offers made and accepted during the Operational Support Period.

- However, AAI has not provided facts/details of costs to be reimbursed by MIAL and the details thereof.
- During the entire tariff determination discussions or during the submission of actuals, this fact and the clarification was not submitted at all by AAI. These explanations have been provided only based on a



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query on the abnormal increase in personnel cost of RHQ for FY 2020-21. The response provided by AAI indicates that the JVC costs have been booked under the RHQ related cost centre.

- During consultation process, AAI has revised its CHQ/RHQ workings several times and has provided information in parts when requested by the Authority. In none of these submissions, AAI had raised the issue of this error. Further, the Authority also notes that AAI had never raised these issues during the First & Second Control Period Tariff determination exercise. This has also been submitted in the last stages of the tariff determination process for Third Control period, without complete details and justifications. Such identification of discrepancies / frequent changes in the workings possibly indicates that this change in working is an afterthought and that the entire allocation process has not been carried out in a systematic manner based on laid down principles and procedures.
- The Authority does not see any value addition in general of such JVC cells in the tariff determination process or to provision of aeronautical services at the respective airports. Further, these expenses do not bear any cost-relatedness to the aeronautical services provided at the respective airports.
- In view of the above, the Authority is not persuaded to consider the above contention of AAI and decides to consider the CHQ/RHQ cost for FY 2020-21 based on actuals of FY 2019-20 increased with 5% increase in payroll cost and other expenses at CHQ/RHQ level for the Second Control Period, in view of the abnormal increase in costs not being sufficiently explained/justified by AAI.

2.8.68 Based on the above analysis, the Authority has decided to consider the actual operating & maintenance expenses for true up of the Second Control Period as presented in the table below:

Table 54: Operating & Maintenance expenses for true-up of the Second Control Period decided by the Authority

(Rs. in lakhs)							
Particulars	Ref	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Payroll expenditure	A	2,436.74	2,528.37	2,903.27	2,631.58	2,261.92	12,761.88
Apportionment of CHQ/RHQ expenses	B	102.24	475.04	798.00	422.89	80.87	1,879.04
Total Payroll Expenditure	C=A+B	2,538.98	3,003.41	3,701.27	3,054.47	2,342.79	14,640.92
Administrative & General Expenditure	D	130.55	369.76	453.20	401.77	466.30	1,821.59
Apportionment of administrative & general expenses to CHQ/RHQ	E	1,311.29	1,660.58	1,951.65	3,143.89	3,301.08	11,368.49
Total Administrative & General Expenses	F=D+E	1,441.84	2,030.35	2,404.85	3,545.66	3,767.39	13,190.08
Repairs & Maintenance Expenses	G	480.18	473.31	466.24	551.94	612.54	2,584.21
Power charges	H	627.40	700.78	753.13	800.80	562.30	3,444.31
Water charges	I	33.85	32.70	106.10	119.04	16.34	307.83
Hire charges	J	60.94	120.75	139.12	193.38	251.81	766.01
Other utilities	K	32.01	22.79	29.28	17.87	21.08	123.03
Total Utility & Outsourcing Expenses	L=H+I+J+K	754.21	877.03	1,027.63	1,131.09	851.23	4,641.19
Other Outflows	M	39.72	75.87	173.84	173.32	15.42	478.17
Total Aeronautical Operating Expenses	N=C+F+G+L+M	5,254.94	6,459.97	7,773.82	8,456.48	7,589.37	35,534.57



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Note: The O&M expenses approved for FY 2020-21 in the above Table 54 (Rs. 7,589.37 lakhs) is lower by Rs. 242.53 lakhs than that provided in the Table 52 (Rs. 7,831.90 lakhs amount proposed in Consultation Paper) due to the following:

1. *Decrease in Payroll expenditure by Rs. 632.19 lakhs.*
2. *Increase in Admin and general expenses-non CHQ/RHQ by Rs. 101.36 lakhs.*
3. *Increase in Admin and general expenses- CHQ/RHQ by Rs. 314.39 lakhs.*
4. *Decrease in other expenses by Rs. 22.27 lakhs.*

2.9 True up of Non-Aeronautical Revenue

AAI's submission on non-aeronautical revenue

- 2.9.1 AAI has submitted the revenue from non-aeronautical services for cross-subsidizing 30% of the same in the determination of the ARR for the Second control Period. The following table details the actual non-aeronautical revenues earned by Pune International Airport for FY 2016-17 to FY 2019-20 and estimated revenues for FY 2020-21:

Table 55: Non-Aeronautical Revenues submitted by AAI for the True up of Second Control Period

(Rs. in Lakhs)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Restaurants & Snack Bars	469.23	512.01	3,185.47	2,136.36	183.87	6,486.94
TR Stalls	121.83	285.35	641.88	1,067.82	66.23	2,183.12
Duty Free Revenue	119.00	233.42	248.88	252.16	19.26	872.71
Hoarding & Display	599.56	737.57	529.79	491.17	144.99	2,503.09
Building Non-Residential	585.90	379.61	581.12	427.79	427.79	2,402.22
Land Lease	136.57	148.68	372.42	566.02	566.02	1,789.70
Hanger	270.53	345.51	86.16	10.57	10.57	723.34
Car Parking	338.32	325.86	375.96	187.94	30.77	1,258.85
Public Admission Fee	13.45	19.39	34.29	24.28	25.49	116.91
Flight Catering	21.19	101.88	128.28	135.53	115.83	502.70
Car Rentals	14.06	17.96	356.11	461.30	232.00	1,081.42
Interest Income	85.88	203.42	41.28	59.97	62.96	453.51
Other Misc. receipts	285.16	184.29	184.50	314.01	329.71	1,297.68
Total	3,960.67	3,494.94	6,766.15	6,134.92	2,215.50	21,672.19

Recap of decision taken by the Authority for non-aeronautical revenue at the time of tariff determination for the Second Control Period

- 2.9.2 The Authority vide its decision no. 9 of Order No. 15/2017-18 dated 30th October 2017 decided the following with respect to Non-Aeronautical Revenue for Second Control Period.

- *Decision no. 9.a. The Authority decides to consider the revenue accruing to AAI on account of the aeronautical services of cargo facility, ground handling services and supply of fuel to aircraft including land lease rentals and building rent from these activities as aeronautical revenue.*
- *Decision no. 9.b. The Authority decides to consider the Non-Aeronautical Revenue as per table 37 below.*
- *Decision no. 9.c. The Authority decides that Non-Aeronautical Revenue will be true up if it is higher than the projected revenues. In case there is a shortfall, true up would be undertaken only if the Authority is satisfied that there are reasonably sufficient grounds for not realizing the projected revenues*



Table 56: Non-Aeronautical Revenues considered by the Authority in the Second Control Period (Table 37 of Second Control Period Order)

(Rs. in Lakhs)

Revenue from services other than regulated services	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Non- aeronautical revenue as per AAI (A)	2,830.00	3,300.00	3,710.00	4,170.00	4,960.00	18,970.00
LESS: Change in revenue from cargo, ground handling and fuel services considered as aeronautical revenues and change in growth (B)	350.00	640.00	570.00	720.00	1,170.00	3,250.00
NAR Allowed by AERA in Second Control Period Order (A-B)	2,490.00	2,860.00	3,140.00	3,450.00	3,790.00	15,730.00

Authority's examination of non-aeronautical revenue for the Second Control Period as part of Consultation Paper

2.9.3 The Authority had perused the actual NAR and observed wide variances in the year-on-year revenues. On enquiry, AAI submitted the following:

- **Restaurants and Snack bar:** The revenue for the year 2018-19 was Rs. 3,185.47 lakhs whereas the revenues for the year FY 2016-17 and FY 2017-18 were in the range of Rs. 981.24 lakhs. AAI responded that the large increase in FY 2018-19 was due to award of new concessions. The trend of increased revenues continued in FY 2019-20 but dropped to Rs. 183.87 lakhs in FY 2020-21. AAI informed that FY 2020-21 was a projected amount based on the impact of pandemic and low levels of traffic.
- **TR Stall:** Similar to Restaurants and Snack bars, the revenues of TR stall had also increased in FY 2018-19 and FY 2019-20 for the same reason.
- **Car Rentals:** The total amount projected for the Second Control Period was Rs. 60 lakhs whereas the actual revenue under this category is Rs. 1,081.43 lakhs. On enquiry, AAI submitted that the variance was due to exponential increase in demand of rented cars from FY 2017-18 onwards.
- **Land lease, hanger and building non-residential:** The Authority had noted a year on year decrease in the revenue received from land lease, hanger and building non-residential from FY 2016-17 and FY 2019-20 amounting to Rs.1,019.12 lakhs as compared to second control period order projections. On enquiry, AAI stated that there was a misclassification in the internal general ledgers and hence there are wide variances in the numbers across the years.

2.9.4 Land Lease and Interest income: On perusal of the trial balance, the Authority had also noted that AAI has inadvertently missed to include non-aeronautical revenues amounting to Rs. 126.83 lakhs under Land lease revenue in 2016-17 and Rs. 18.46 lakhs under Interest Income in FY 2018-19. The Authority now proposes to consider the same as part of the actual revenues in the respective years.

2.9.5 The Authority had noted the decision in Second Control Period Order (as stated in Para 2.9.2 above). As noted in para 2.9.4 above, there are misclassifications in various heads of NAR between the trial balance and the segregation in the Second Control Period order. The Authority had classified the entire NAR into following 4 heads for analysis:

- Passenger Traffic Based Revenue
- ATM Based Revenue



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- Lease Rentals
- Others

2.9.6 Non-aeronautical revenues for Second Control Period regrouped into above categories is as follows:

Table 57: Comparison of NAR of Second Control Period order v/s Actuals submitted by AAI as per regrouped categories

(Rs. in Lakhs)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
As per Second Control Period Order						
Pax related Revenues	1,280.00	1,600.00	1,810.00	2,060.00	2,570.00	9,320.00
Rent & Services	1,380.00	1,540.00	1,710.00	1,890.00	2,120.00	8,640.00
ATM related revenues	50.00	60.00	60.00	70.00	90.00	330.00
Other revenues	120.00	120.00	140.00	140.00	170.00	690.00
Total (A)	2,830.00	3,320.00	3,720.00	4,160.00	4,950.00	18,980.00
As Submitted by AAI						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Pax related Revenues	1,309.62	1,768.35	4,606.02	3,947.51	414.35	12,045.85
Rent & Services	1,331.32	1,199.66	1,415.66	1,192.32	1,035.15	6,174.11
Less: Lease rent from Airlines (to be treated as Aero)	-398.54	-260.76	-307.94	-245.18	-245.18	-1,457.59
ATM related revenues	21.19	101.88	128.28	135.53	115.83	502.71
Other revenues	398.55	425.06	616.18	859.56	650.16	2,949.51
Total (B)	2,662.14	3,234.19	6,458.20	5,889.74	1,970.31	20,214.59
Difference (B-A)	-167.86	-85.81	2,738.20	1,729.74	-2,979.69	1,234.59

2.9.7 From the above table, it was noted that the revenues submitted by AAI after reducing the lease rent from Airlines is higher than the total Non-Aeronautical Revenue estimated in the Second Control Period Order. The Authority had also taken cognizance of the impact of Covid-19 on the revenues for FY 2020-21. Hence, the Authority had proposed to consider the figures submitted by AAI after adjusting the misclassification as stated in para 2.9.3 and reducing the rent from space given to airlines as stated in para 2.9.8.

2.9.8 Rent from space given to aeronautical service providers such as space to Airlines were considered as Non-Aeronautical Revenue by Pune International Airport. The Authority was of the view that the revenues collected from aeronautical services providers such as Airlines are to be treated as Aeronautical Revenues. Therefore, the Authority had proposed to consider the rent received from space given to Airlines amounting to Rs. 1,457.39 lakhs as aeronautical revenues (refer Para 2.9.8).

2.9.9 The Authority had noted that the non-aeronautical revenue for FY 2020-21 submitted by AAI was based on the estimated passenger and ATM traffic. The Authority had proposed to recalculate the non-aeronautical revenue for FY 2020-21 based on the traffic as proposed by the Authority, after considering Circular No 26 (read along with Circular no.24) issued by AAI is as follows:

"Clause 2 of the concessionaire support scheme no.26 states that:

- From 01.01.2021 to 30.06.2021, the license fee/ MMG calculated on the basis of formula (issued vide commercial circular 24/2020) to be discounted further by 40%.
- From 01.07.2021 to 31.12.2021, the license fee/ MMG calculated on the basis of formula (issued vide commercial circular 24/2020) to be discounted further by 20%."



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2.9.10 Based on the foregoing discussion, the Authority had proposed to consider the following revenues for non-aeronautical revenues for the Second Control Period:

Table 58: Non-Aeronautical Revenues proposed to be considered for true up of the Second Control Period by the Authority as part of Consultation Paper

(Rs. in Lakhs)

Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total (Authority)-I	Total (AAI)-II	Difference (I-II)
Pax related Revenues								
Restaurant / Snack Bars	469.23	512.01	1,185.47	2,136.36	508.37	6,811.45	6,486.94	324.51
T.R. Stall	121.83	285.35	641.88	1,067.82	254.10	2,370.99	2,183.12	187.87
Duty Free Shop	119.00	233.42	248.88	352.16	60.00	913.46	872.71	40.75
Hoarding & Display	599.56	737.57	529.79	491.17	116.88	2,474.98	2,503.89	-28.11
Total of Pax related Revenues- A	1,309.62	1,768.35	4,606.03	3,947.52	939.36	12,570.87	12,045.46	525.01
Rent & Services								
Building Non-Residential	585.90	379.61	507.21	427.79	427.79	2,328.20	2,402.22	-74.02
Less: Revenue from airlines	-398.54	-260.76	-307.94	-245.18	-245.18	-1,457.59		-1,457.59
Land lease	263.40	148.68	167.59	159.77	159.77	899.20	1,789.70	-890.50
Hanger	270.53	345.51	364.90	416.82	416.82	1,814.57	723.34	1,091.23
Car Parking	338.32	325.86	375.96	187.94	89.09	1,317.17	1,258.85	58.32
Total of Rents and Services -B	1,059.61	938.90	1,107.72	947.15	848.29	4,901.66	6,174.11	-1,272.45
ATM related revenues								
Flight Catering Service	21.19	101.88	128.28	135.53	44.58	431.45	502.70	-71.25
Total of ATM related revenues - C	21.19	101.88	128.28	135.53	44.58	431.45	502.70	-71.25
Other revenues								
Revenue from Public admission Fees	13.45	19.39	34.29	24.28	6.42	97.83	116.91	-19.08
Car Rentals	14.06	17.96	356.11	461.30	109.77	959.19	1,081.42	-122.23
Revenue from interest income	85.88	203.42	59.74	59.97	62.96	471.97	453.51	18.46
Other Misc. Receipts	285.16	184.29	184.50	314.01	329.71	1,297.68	1,297.68	-
Total of Other revenues - D	398.55	425.05	634.64	859.56	508.87	2,826.67	2,949.51	-122.84
Total=(A+B+C+D)	2,788.96	3,234.18	6,476.67	5,889.75	2,341.10	20,730.66	21,672.19	-941.53*



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**The difference is mainly due to Rs. 1,457.59 lakhs which has been considered as aeronautical revenue instead of non-aeronautical and incremental revenue of Rs. 370.77 lakhs (in which Rs. 245.18 lakh has been part of Rs. 1,457.59) has been considered for FY 2020-21 with adjustments as stated in Para 2.9.4.*

2.9.11 The Authority had proposed to consider Non-Aeronautical revenue as per Table 58 for true of Second Control Period.

Stakeholders' comments on true up of Non-Aeronautical Revenues for the Second Control Period

2.9.12 There were no Stakeholders' comments with respect to true-up of Non-Aeronautical Revenues for the Second Control Period.

Authority's analysis on Stakeholders' comments and decision regarding true up of Non-Aeronautical Revenues for the Second Control Period

2.9.13 It is noted that no Stakeholders' comments were received regarding true-up of non-aeronautical revenues for the Second Control Period.

AAI's submission of actual Non-Aeronautical Revenue for FY 2020-21

2.9.14 As stated earlier, the Authority had sought data regarding the actual Non-Aeronautical Revenue pertaining to FY 2020-21. The same was submitted to the Authority vide AAI's email "In the matter of Determination of Tariff of Pune International Airport for Third Control Period (01.04.2021 to 31.03.2026) and True-up of Second Control Period (01.04.2016 to 31.03.2021) - Updation of Actuals for the F.Y. 202021 - Reg." dated 24th December 2021. AAI submitted actual Non-aeronautical revenue for FY 2020-21 as Rs. 2,605.37 lakhs.

Authority's examination of the actual Non-Aeronautical Revenue for FY 2020-21

2.9.15 The Authority has reviewed the actual non-aeronautical revenue submitted by AAI for FY 2020-21. The Authority has compared the projected figures for FY 2020-21 as considered at the time of consultation paper (refer Table 58) with the amount submitted by AAI as actuals. The comparison are as follows.

Table 59: Comparison of actual figures of FY 2020-21 v/s projected figures in Consultation Paper by the Authority

(Rs. in lakhs)				
Particulars	FY21 (projected by AERA) (A)	FY21 (Actuals) (B)	Difference (B-A)	Notes
Pax related Revenues				
Restaurant / Snack Bars	508.37	106.44	-401.93	
T.R. Stall	254.10	337.96	83.86	
Duty Free Shop	60.00	-0.20	-60.20	1
Hoarding & Display	116.88	115.36	-1.52	
Total of Pax related Revenues- A	939.36	559.56	-379.80	
Rent & Services				
Building Non-Residential	427.79	452.88	25.09	
Less: Revenue from airlines	-245.18	-109.50	135.68	2
Land lease	159.77	343.95	184.18	3
Hanger	416.82	478.15	61.33	
Car Parking	89.09	40.65	-48.44	
Total of Rents and Services -B	848.29	1,206.13	357.84	
ATM related revenues				
Flight Catering Service	44.58	5.86	-38.72	1
Total of ATM related revenues - C	44.58	5.86	-38.72	



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Other revenues				
Revenue from Public admission Fees	6.42	42.63	36.21	
Car Rentals	109.77	79.89	-29.88	
Revenue from interest income	62.96	359.24	296.28	4
Other Misc. Receipts	329.71	242.57	-87.14	
Total of Other revenues - D	508.87	724.33	215.46	
Total=(A+B+C+D)	2,341.10	2,495.88	154.78	

Notes: Reasons for major increase or decrease from projected to actuals figures of FY 2020-21 are as follows:

1. Most of the revenues are dependent upon traffic and has decreased due to reduction in traffic in FY 2020-21 as the same was affected due to Covid-19 pandemic.
2. Refer para 4 in Notes of Table 13 for explanation.
3. Revenue from Land lease has increased due to increase in area allotted to non-aeronautical concessionaries (refer para 2.9.15).
4. Revenue from Interest Income has increased due to recovery of interest on delayed payments from airlines and others in FY 2020-21.

2.9.16 Based on the above analysis, the Authority has decided to consider the actual non-aeronautical revenue for true up of the Second Control Period as presented in the table below:

Table 60: Non-Aeronautical Revenue for true-up of the Second Control Period decided by the Authority

(Rs. in lakhs)						
Particulars	FY 17	FY 18	FY 19	FY 20	FY 21	Total
Pax related Revenues						
Restaurant / Snack Bars	469.23	512.01	3,185.47	2,136.36	106.44	6,409.51
T.R. Stall	121.83	285.35	641.88	1,067.82	337.96	2,454.84
Duty Free Shop	119	233.42	248.88	252.16	-0.20	853.26
Hoarding & Display	599.56	737.57	529.79	491.17	115.36	2,473.45
Total of Pax related Revenues- A	1,309.62	1,768.35	4,606.03	3,947.52	559.56	12,191.06
Rent & Services						
Building Non-Residential	585.9	379.61	507.21	427.79	452.88	2,353.39
Less: Revenue from airlines	-398.54	-260.76	-307.94	-245.18	-109.50	-1,321.92
Land lease	263.4	148.68	167.59	159.77	343.95	1,083.39
Hanger	270.53	345.51	364.9	416.82	478.15	1,875.91
Car Parking	338.32	325.86	375.96	187.94	40.65	1,268.73
Total of Rents and Services -B	1,059.61	938.9	1,107.72	947.15	1,206.13	5,259.50
ATM related revenues						
Flight Catering Service	21.19	101.88	128.28	135.53	5.86	392.74
Total of ATM related revenues - C	21.19	101.88	128.28	135.53	5.86	392.74
Other revenues						
Revenue from Public admission Fees	13.45	19.39	34.29	24.28	42.63	134.04
Car Rentals	14.06	17.95	356.11	461.3	79.89	929.31
Revenue from interest income	85.88	203.42	59.74	59.97	359.24	768.25
Other Misc. Receipts	285.16	184.29	184.5	314.01	242.57	1,210.53
Total of Other revenues - D	398.55	425.05	634.64	859.56	724.33	3,042.13
Total=(A+B+C+D)	2,788.96	3,234.18	6,476.67	5,889.75	2,495.88	20,885.43

2.10 True up of Aeronautical Taxation

AAI's submission for true up of taxation



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- 2.10.1 AAI has submitted tax calculations using a tax rate of 34.94% from FY 2016-17 to FY 2018-19. For FY 2019-20 and FY 2020-21, a tax rate of 25.17% was used. These tax rates were used on Pure International Airport's profit before tax (PBT) after setting-off the prior period tax losses. The following table summarizes the tax working for the true-up period as per AAI's submission.

Table 61: Aeronautical Taxes submitted by AAI for true up of Second Control Period

(Rs in lakhs)							
Particulars	Ref	FY17	FY18	FY19	FY20	FY21	Total
Aero Revenue	A	4,124.07	8,147.45	18,810.78	17,504.58	4,800.08	53,386.96
O&M Expense	B	5,882.78	7,705.50	9,875.43	10,345.46	9,542.11	43,351.29
Total Interest and Financing Charges	C	0.00	0.00	0.00	0.00	55.09	55.09
Depreciation	D	783.16	749.77	886.17	1,118.42	1,337.53	4,875.04
Total expenditure	E=B+C+D	6,665.94	8,455.27	10,761.60	11,463.88	10,934.74	48,281.42
Profit Before Tax	F=A-E	-2,541.86	-307.82	8,049.18	6,040.70	-6,134.66	5,105.55
Set-off of prior period tax losses	G	0.00	0.00	8,049.18	400.50	0.00	8,449.68
PBT after set-off of losses	H=F-G	-2,541.86	-307.82	0.00	5,640.20	-6,134.66	-3,344.13
Tax [34.94% up to FY19 & 25.17% from FY20]	I	0.00	0.00	0.00	1,419.64	0.00	1,419.64
Profit After Tax	J=H-I	-2,541.86	-307.82	0.00	4,220.56	-6,134.66	-4,763.77

Recap of decision taken by the Authority for aeronautical taxation at the time of tariff determination for the Second Control Period

- 2.10.2 The Authority vide decision no.11 of Order No.15/2017-18 dated 30th October 2017, decided the following with respect to Aeronautical Taxation for Second Control Period.

- Decision no. 11 a. The Authority decides the corporate tax of aeronautical activities as per Table 45 for the second control period
- Decision no. 11 b. The Authority decides to true up the difference between the actual/apportioned corporate tax paid and that estimated by the authority for the second control period during determination of tariffs for the third control period

Table 62: Amount of tax for aeronautical services as calculated by the Authority in the Second Control period Order (Table 45 of Second Control Period order)

(Rs in lakhs)						
Particulars	FY17	FY18	FY19	FY20	FY21	Total
Aeronautical revenue	4,040.00	8,130.00	17,810.00	20,630.00	23,900.00	74,510.00
Aeronautical O&M (excluding CHQ/RHQ expenses)	4,430.00	5,230.00	5,580.00	5,950.00	6,350.00	27,540.00
CHQ/RHQ overhead	910.00	1,040.00	1,110.00	1,170.00	1,240.00	5,470.00
Depreciation as per IT Act	750.00	700.00	940.00	1,140.00	2,930.00	6,460.00
PBT	-2,050.00	1,150.00	10,180.00	12,370.00	13,370.00	35,020.00
Tax for Aeronautical Services	-	400.00	3,520.00	4,280.00	4,630.00	12,830.00

Authority's examination of aeronautical taxation for the Second Control Period as part of Consultation Paper

- 2.10.3 The Authority had not proposed any material changes in calculating the tax for the Second Control Period. The Authority had incorporated the changes in regulatory blocks relevant to tax calculation and recalculated



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aeronautical tax for on Pune International Airport by taking into consideration carried forward losses of First Control Period amounting to Rs. 5,600 lakhs as given in Table 14 of Second Control Period Order. Aeronautical Tax computed by the Authority based on the same is as detailed below:

Table 63: Aeronautical Taxes proposed to be considered for true up of the Second Control Period by the Authority as part of Consultation Paper

(Rs. in Lakhs)							
Particulars	Ref	FY17	FY18	FY19	FY20	FY21	Total
Aero Revenue	A	4,522.61	8,411.20	19,118.72	17,749.76	5,072.10	54,874.40
O&M Expense	B	5,254.94	6,459.97	7,773.82	8,456.48	7,831.90	35,777.10
Interest on Term Loan	C	-	-	-	-	8.52	8.52
Depreciation (as per IIT act)	D	599.44	748.52	840.91	1,041.44	1,084.85	4,315.17
Total Expenditure	E=B+C+D	5,854.38	7,208.49	8,614.73	9,497.92	8,925.27	40,100.79
Profit Before Tax	F=A-E	-1,331.77	1,202.72	10,503.99	8,251.84	-3,853.17	14,773.61
Set-off of prior period tax losses	G	-	1,202.72	5,729.05	-	-	6,931.77
PBT after set-off of losses	H=F-G	-	-	4,774.94	8,251.84	-	13,026.78
Tax [34.944% up to FY19 & 25.17% from FY20]	I	-	-	1,668.55	2,076.99	-	3,745.54
Profit After Tax	J=H-I	-1,331.77	1,202.72	8,835.44	6,174.85	-3,853.17	11,028.07

Stakeholders' comments on true-up of Aeronautical Taxes for the Second Control Period

- 2.10.4 There were no Stakeholders' comments with respect to true-up of aeronautical taxes for the Second Control Period.

Authority's analysis on Stakeholders' comments regarding true-up of Aeronautical Taxes for the Second Control Period

- 2.10.5 It is noted that no Stakeholders' comments were received regarding true-up of aeronautical taxes for the Second Control Period. However, the Authority notes that incorporation of actual FY 2020-21 aeronautical revenues and expenses would lead to changes in the computation of aeronautical taxes of FY 2020-21. The Authority decides to consider the aeronautical taxes based on the actual expenses for FY 2020-21 as well as other relevant changes in the regulatory building blocks discussed above and taking into consideration carried forward losses of First Control Period amounting to Rs. 5,600 lakhs as given in Table 14 of Second Control Period Order. The aeronautical taxes considered by the Authority for the true-up of the Second Control Period are as follows:

Table 64: Aeronautical taxes for true-up of the Second Control Period decided by the Authority

(Rs in lakhs)							
Particulars	Ref	FY17	FY18	FY19	FY20	FY21	Total
Aero Revenue	A	4,522.61	8,411.20	19,118.72	17,749.76	4,996.61	54,798.91
O&M Expense	B	5,254.94	6,459.97	7,773.82	8,456.48	7,589.37	35,534.57
Interest on Term Loan	C	-	-	-	-	8.52	8.52



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Particulars	Ref	FY17	FY18	FY19	FY20	FY21	Total
Depreciation (as per IT act)	D	599.44	748.52	840.91	1,041.44	1,087.90	4,318.22
Total Expenditure	E=B+C+D	5,854.38	7,208.49	8,614.73	9,497.92	8,685.79	39,861.31
Profit Before Tax	F=A-E	-1,331.77	1,202.72	10,503.99	8,251.84	-3,689.18	14,937.60
Set-off of prior period tax losses	G	-	1,202.72	5,729.05	-	-	6,931.77
PBT after set-off of losses	H=F-G	-	-	4,774.94	8,251.84	-	13,026.78
Tax [34.944% up to FY19 & 25.17% from FY20]	I	-	-	1,668.55	2,076.99	-	3,745.54
Profit After Tax	J=H-I	-1,331.77	1,202.72	8,835.44	6,174.85	-3,689.18	11,192.95

2.11 True-Up of Aggregate Revenue Requirement

- 2.11.1 AAI in its MYTP, has submitted a shortfall of Rs. 19,959.92 lakhs (refer Table 5) as a result of the true up of Second Control Period while determining aeronautical tariffs for the Third Control Period.
- 2.11.2 The Authority after analyzing the various building blocks and incorporating the changes as discussed in the earlier sections, had recalculated the ARR as follows:

Table 65: ARR proposed to be considered for true up of the Second Control Period by the Authority as part of Consultation Paper

(Rs in lakhs)

Particulars	Table Ref	Ref	FY17	FY18	FY19	FY20	FY21	Total
Opening RAB	Table 39	A	8,003.06	7,888.44	7,770.62	9,199.05	10,209.08	
Closing RAB	Table 39	B	7,888.44	7,770.62	9,199.05	10,209.08	9,965.04	
Average RAB	Table 39	C=(A+B)/2	7,945.75	7,829.53	8,484.83	9,704.06	10,087.06	
FRoR (%)	Table 42	D	13.77%	13.77%	13.77%	13.77%	13.77%	
Return on RAB		E=C*D	1,093.99	1,077.99	1,168.21	1,336.08	1,388.81	6,065.07
Operating expense	Table 52	F	5,254.94	6,459.97	7,773.82	8,456.48	7,831.90	35,777.10
Depreciation	Table 35	G	693.75	688.23	1005.44	1132.28	728.17	4,247.88
Tax	Table 63	H	-	-	1,668.55	2,076.99	-	3,745.54
Under recovery of First Control Period as on 31/3/2017		I	13,526.60					13,526.60
ARR		J=Sum (E: I)	20,569.28	8,226.19	11,616.03	13,001.83	9,948.88	63,362.19
Non-Aeronautical revenue	Table 58	K	2,788.96	3,234.18	6,476.67	5,889.75	2,341.10	20,730.66
Less: 30% Non-Aeronautical revenue		L=K*30%	836.69	970.25	1,943.00	1,766.92	702.33	6,219.20
Aggregate Revenue Requirement (ARR)		M=J-L	19,732.59	7,255.93	9,673.03	11,234.90	9,246.55	57,143.00
Aeronautical Revenue	Table 12	N	4,522.61	8,411.20	19,118.72	17,749.76	5,072.10	54,874.40



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Particulars	Table Ref	Ref	FY17	FY18	FY19	FY20	FY21	Total
Discount %	Table 42	O	13.77%	13.77%	13.77%	13.77%	13.77%	
Discount Factor		$P = \frac{1+O}{1.5/4/3/2/1}$	1.91	1.68	1.47	1.29	1.14	
PV (Discounted ARR)		$Q = M * P$	37,608.75	32,155.62	34,243.78	34,541.57	30,519.63	89,069.35
PV (Discounted Aeronautical Revenue)		$R = N * P$	8,619.74	14,091.01	28,152.81	22,973.89	5,770.44	79,607.88
Shortfall/ (Surplus) as on 31 st March 2022		$S = Q - R$	28,989.01	-1,935.39	-13,909.03	-8,432.32	4,749.19	9,461.47

2.11.5 The Authority proposed to recoup the shortfall of Rs. 9,461.47 lakhs to AAI. The shortfall mainly had arisen in account of the following factors:

- Reduction in traffic due to COVID in FY 2020-21 and FY 2019-20.
- Reduction in aeronautical revenues collected in FY 2020-21 and FY 2019-20 due to the above, by approximately Rs. 19,636 lakhs as compared to Second Control Period order projections.
- Reduction in Actual ARR for Second control Period by approx. Rs. 11,064 lakhs due to following which had partly set off the under recovery of aeronautical revenues:
 - Deferment of certain capital expenditure has reduced the return on RAB from the estimates approved, by approx. Rs. 2,397 lakhs.
 - Increase in Operating cost due to increase in CHQ/RHQ cost by Rs. 2,777 lakhs from the estimates approved.
 - Reduction in tax due to above factors from the estimates approved, by Rs. 9,084 lakhs.

Stakeholders' comments on true-up of Aggregate Revenue Requirement for the Second Control Period

2.11.6 There were no Stakeholders' comments with respect to true-up of Aggregate Revenue Requirement for the Second Control Period.

Authority's analysis on Stakeholders' comments regarding true-up of Aggregate Revenue Requirement for the Second Control Period

2.11.7 It is noted that no Stakeholders' comments were received regarding true-up of aggregate revenue requirement for the Second Control Period. Considering the various decisions of the Authority for the building blocks relating to the Second Control Period after the examination of stakeholders' comments, the true up for the Second Control Period decided by the Authority is as follows:



TRUE UP FOR THE SECOND CONTROL PERIOD

- 2.12.6 To consider aeronautical operating expenses as presented in Table 54 for the purpose of true-up of the Second Control Period.
- 2.12.7 To consider non aeronautical revenue as per Table 60 for the purpose of true-up of the Second Control Period
- 2.12.8 To consider aeronautical tax as mentioned in Table 64 for the purpose of true-up of the Second Control Period
- 2.12.9 To consider ARR and shortfall as calculated in Table 66 for the Second Control Period which is proposed to be recouped in the tariff determination for the Third Control Period.



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3. TRAFFIC FOR THE THIRD CONTROL PERIOD

3.1 AAI's submissions relating to Traffic for the Third Control Period

3.1.1 AAI had submitted its traffic projections as a part of its MYTP submission, considering the ongoing pandemic condition. The passenger traffic, air traffic movement and their expected annual growth rates assumed in the tariff determination process by AAI for Third Control Period are as given in the table below:

Table 67: AAI's submission of ATM and Passenger traffic for Third Control Period

Passenger Traffic (in millions)	FY20	FY21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
Domestic	7.92	2.12	4.25	5.32	6.90	7.94	8.89	33.50
% Growth over previous year		-73%	100%	30%	25%	15%	12%	
% of FY 20		27%	54%	70%	87%	100%	112%	
International	0.16	0.00	0.01	0.03	0.07	0.11	0.17	0.39
% Growth over previous year		-97%	100%	150%	100%	70%	50%	
% of FY 20		3%	8%	21%	42%	71%	106%	
Total	8.09	2.13	4.26	5.56	6.97	8.05	9.06	33.89
% Growth over previous year		-74%	100%	30%	25%	16%	13%	
% of FY 20		26%	53%	69%	86%	100%	112%	

ATM (in 000's)	FY20	FY21	FY22	FY23	FY24	FY25	FY26	Total (FY22 to FY26)
Domestic	53.07	18.90	35.91	43.09	51.71	56.88	61.43	249.03
% Growth over previous year		-64%	90%	20%	20%	10%	8%	
% of FY 20		36%	68%	81%	97%	107%	116%	
International	1.20	0.20	0.50	0.63	0.75	0.90	1.36	4.04
% Growth over previous year		-83%	150%	25%	20%	20%	40%	
% of FY 20		17%	42%	52%	63%	75%	105%	
Total	54.26	19.10	36.41	43.72	52.46	57.78	62.69	253.07
% Growth over previous year		-65%	91%	20%	20%	10%	8%	
% of FY 20		35%	67%	81%	97%	106%	116%	

3.2 Authority's examination of Traffic for the Third Control Period as part of Consultation Paper

- 3.2.1 The Authority had considered the effect that COVID-19 pandemic has had on the aviation sector and the consequent disruption in air traffic (international and domestic) while analyzing AAI's submission of traffic forecast for the Third Control Period. The Authority had, based on various study reports on traffic assessment, taken into consideration the forecast/data published by ACI, IATA, FICCI and ICAO for arriving at the revised traffic projections.
- 3.2.2 Based on its own internal assessment, AAI estimated that the domestic traffic would reach pre-COVID levels (FY 2019-20 levels) by FY 2024-25 while the international traffic would reach pre-COVID levels by FY 2025-26.
- 3.2.3 The Authority had analyzed the traffic at Pune International Airport after the pandemic-induced lockdown in the country was revoked in a phased manner. The Authority noted that the domestic traffic in FY 2020-21 was 27% as compared to FY 2019-20. However, in the case of international traffic, the traffic in FY 2020-21 was 3% of FY 2019-20, which is low.
- 3.2.4 The Authority was cognizant of the impact that the second wave of COVID-19 has had on the aviation sector and accordingly had remained conservative in its estimation of traffic. The Authority had also taken



TRAFFIC FOR THE THIRD CONTROL PERIOD

- into consideration the outlook, projections, and reports of various international bodies like ICAO and IATA regarding the impact of the pandemic on the aviation industry.
- 3.2.5 Based on the trends observed in monthly traffic figures of FY 2020-21 and reconsiderations in the backdrop of potential drop in traffic in the initial months of FY 2021-22 due to the impact of the second wave of the pandemic, the Authority had expected a 68% recovery in domestic traffic and a 23% recovery in international traffic to pre-COVID levels in FY 2021-22 (vis-à-vis FY20).
- 3.2.6 As part of its examination of AAI's forecast of traffic at Pune International Airport, the Authority had calculated Compounded Annual Growth Rate (CAGR), for passenger traffic and ATM from FY 2016-17 to FY 2018-19 (3-year CAGR).
- 3.2.7 For the computation of CAGR, the Authority had considered the traffic data of FY 2018-19 as the base, since FY 2019-20 was impacted by both Covid-19 pandemic and closure of Jet Airways. Further, FY 2020-21 being an exceptional year may not provide an appropriate basis for arriving at CAGR. The CAGR details so computed have been listed in the table below:

Table 68: CAGR for passenger traffic and ATM traffic at Pune International Airport

Particulars	3 Year CAGR
Passenger Traffic	
Domestic	16.37%
International	-0.96%
Total	15.76%
ATM	
Domestic	13.58%
International	3.61%
Total	13.14%

- 3.2.8 The Authority after taking into consideration studies conducted by various industry bodies and GoI restrictions on domestic and international flights, reconsidered the traffic levels for the Third Control Period and projected that the domestic traffic would reach pre-COVID levels (FY 2019-20 levels) by FY 2022-23, while the international traffic would reach pre-COVID levels by FY 2023-24.
- 3.2.9 The Authority noted that AAI had very conservatively estimated the passenger traffic that did not reflect the reality. Accordingly, the Authority was of the view that the estimate submitted by AAI needs to be revisited. Based on the recent trend, the Authority had proposed to consider that traffic in FY 2021-22 will reach 67% of FY 2019-20 level.
- 3.2.10 The Authority had proposed to use the 3-year CAGR for projecting domestic passenger traffic and ATM for the last 3 tariff years (FY 2023-24 & FY 2025-26), as in the Authority's view the 3-year CAGR represents normalized economic scenarios, weeding out short-term macro-economic fluctuations. For International passenger traffic and ATM for the last 2 tariff years (FY 2024-25 & FY 2025-26), the Authority had considered a growth rate of 3% considering that the actuals in the past did not project any clear trend for estimation.
- 3.2.11 After due consideration of the prevalent condition and review of forecasts made by many bodies, the Authority considered the following traffic levels for the Third Control Period:



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Table 69: Traffic estimate for ATM and Passenger under COVID-19 scenario as considered by the Authority

% of traffic with reference to traffic of Pre Covid level - FY20					
Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
Passengers					
Domestic Passenger	68%	100%	116%	132%	148%
International Passenger	23%	75%	100%	103%	106%
ATM					
Domestic ATM	68%	100%	114%	128%	142%
International ATM	23%	75%	100%	103%	106%

3.2.12 Based on the above estimate, the revised traffic as considered by the Authority is given below:

Table 70: Traffic proposed to be considered by the Authority for the Third Control Period as part of Consultation Paper

Passenger Traffic	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
(in millions)								
Domestic	7.93	2.13	5.39	7.93	9.20	10.46	11.73	44.71
% Growth over previous year		-73%	153%	47%	16%	14%	12%	
% of FY 20		27%	68%	100%	116%	132%	148%	
International	0.16	0.00	0.04	0.12	0.16	0.16	0.17	0.64
% Growth over previous year		-97%	646%	226%	33%	3%	3%	
% of FY 20		3%	23%	75%	100%	103%	106%	
Total	8.09	2.14	5.43	8.05	9.35	10.63	11.90	45.35
% Growth over previous year		-74%	154%	48%	16%	14%	12%	
% of FY 20		26%	67%	100%	116%	131%	147%	
ATM (in 000's)								
Domestic	53.07	19.69	36.08	53.07	60.50	67.92	75.35	292.92
% Growth over previous year		-63%	83%	47%	14%	12%	11%	
% of FY 20		37%	68%	100%	114%	128%	142%	
International	1.20	0.15	0.27	0.90	1.20	1.23	1.27	4.86
% Growth over previous year		-88%	90%	226%	33%	3%	3%	
% of FY 20		12%	23%	75%	100%	103%	106%	
Total	54.26	19.83	36.36	53.96	61.69	69.16	76.62	297.78
% Growth over previous year		-63%	83%	48%	14%	12%	11%	
% of FY 20		37%	67%	99%	114%	127%	141%	



3.3 Stakeholders' comments on Traffic for Third Control Period

3.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with respect to the Traffic for the Third Control Period. The comments by the stakeholders are presented below:

AAI's comments regarding Traffic for the Traffic Control Period

3.3.2 AAI's comments regarding Traffic for the Third Control Period are as follows:

"AERA's Contentions

- Reference is invited to para 3.2 of the CP which stated as follows: The Authority after taking into consideration studies conducted by various industry bodies and Govt restrictions on domestic and international flights, reconsidered the traffic levels for the Third Control Period and projected that the domestic traffic would reach pre-COVID levels (FY 2019-20 levels) by FY 2022- 23, while the Intl. traffic would reach pre-COVID levels by FY 2023-24.
- The Authority notes that AAI has very conservatively estimated the passenger traffic that does not reflect the reality. Accordingly, the Authority is of the view that the estimate submitted by AAI needs to be revisited. Based on the recent trend, the Authority proposes to consider that traffic in FY 2021-22 will reach 67% of FY 2019-20 level.
- The Authority proposes to use the 3-year CAGR for projecting domestic passenger traffic and ATM for the last 3 tariff years (FY 2023-24 & FY 2025-26), as in the Authority's view the 3-year CAGR represents normalized economic scenarios, weeding out short-term macro-economic fluctuations. For International passenger traffic and ATM for the last 2 tariff years (FY 2024-25 & FY 2025-26), the Authority has considered a growth rate of 3% considering that the actuals in the past do not project any clear trend for estimation.
- After due consideration of the prevalent condition and review of forecasts made by many bodies, the Authority proposes the following traffic levels for the Third Control Period:
- **Table 55:** Traffic estimate for ATM and Passenger under COVID-19 scenario as proposed by the Authority

% of traffic with reference to traffic of Pre Covid level - FY20					
Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
Passengers					
Domestic Passenger	68%	100%	116%	132%	148%
International Passenger	23%	75%	100%	103%	106%
ATM					
Domestic ATM	68%	100%	114%	128%	142%
International ATM	23%	75%	100%	103%	106%

- **Table 56:** Traffic proposed by the Authority for the Third Control Period

Passenger Traffic	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
(in millions)								
Domestic	7.93	2.13	5.39	7.93	9.20	10.46	11.73	44.71



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Passenger Traffic	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
% Growth over previous year		-73%	153%	47%	16%	14%	12%	
% of FY 20		27%	68%	100%	116%	132%	148%	
International	0.16	0.00	0.04	0.12	0.16	0.16	0.17	0.64
% Growth over previous year		-97%	646%	226%	33%	3%	3%	
% of FY 20		3%	23%	75%	100%	103%	106%	
Total	8.09	2.14	5.43	8.05	9.35	10.63	11.99	45.35
% Growth over previous year		-74%	154%	48%	16%	14%	12%	
% of FY 20		26%	67%	100%	116%	131%	147%	
ATM (in 000's)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Domestic	51.07	19.69	36.08	53.07	60.50	67.92	75.35	292.92
% Growth over previous year		-63%	83%	47%	14%	12%	11%	
% of FY 20		37%	68%	100%	114%	128%	142%	
International	1.20	0.15	0.27	0.90	1.20	1.23	1.27	4.86
% Growth over previous year		-88%	90%	226%	33%	3%	3%	
% of FY 20		12%	23%	75%	100%	103%	106%	
Total	54.26	19.83	36.36	53.96	61.69	69.16	76.62	297.78
% Growth over previous year		-63%	83%	48%	14%	12%	11%	
% of FY 20		37%	67%	99%	114%	127%	141%	

AAI's Submission

- AAI's projection for Pax and ATM for the F.Y. 2020-21 is almost near to actuals. Pune Airport has achieved 2.46 million Pax and 21.2 thousand Aircrafts Movements up to Dec.2021.

Month	Aircraft Movements (in Nos.)			Passenger Movements (in Nos.)		
	International	Domestic	Total	International	Domestic	Total
Apr-21	14	2173	2187	33	177816	177849
May-21	3	841	844	6	61180	61186
Jun-21	4	1307	1311	5	133656	133661
Jul-21	16	2107	2123	46	218222	218268
Aug-21	18	2560	2578	60	276239	276299
Sep-21	11	2900	2911	28	333336	333364
Oct-21	9	1964	1973	31	229942	229973
Nov-21	24	3357	3381	94	476478	476572
Dec-21	22	3940	3962	64	556345	556409
Total	121	21149	21270	367	2463414	2463781



TRAFFIC FOR THE THIRD CONTROL PERIOD

- Pune Airport may achieve approx. 3.60 million Pax and 30 thousand Aircrafts Movements for the F.Y. 2021-22 based on the actuals up to December 2021. Whereas, AERA has proposed 67% i.e., 5.43 million Pax and 36.36 thousand Aircraft Movements. AAI proposes 55% of the Pax traffic and 45% ATM Traffic to be achieved in the Year 2021-22 in comparison to pre-Covid period of 2019-20.
- AERA has proposed Pune Airport will achieve pre-COVID period traffic in the F.Y 22-23 whereas AAI has proposed it will achieve in the F.Y 24-25.
- During a pandemic Covid -19 where is so much of uncertainty, CAGR may not be the right basis for growth.
- The projections submitted by AAI for the F.Y. 2022-23 to 2025-26 may be considered as the pandemic has not yet ended and a new variant of Covid-19 and 3rd wave of pandemic has again affected severely the Aviation Sector as a whole.
- Therefore, projections made by AAI are as under:
- Traffic Forecast:

Year	Aircraft Movement (in nos.)			Passengers (in nos.)		
	International	Domestic	Total	International	Domestic	Total
2021-22	150	29850	30000	1000	35,99,000	36,00,000
2022-23	625	43092	43717	33000	55,22,400	55,55,400
2023-24	750	51710	52460	66000	69,03,000	69,69,000
2024-25	900	56881	57781	112200	79,38,450	80,50,650
2025-26	1200	61432	62692	168300	88,91,064	90,59,364

3.4 Authority's analysis on Stakeholders' comments regarding traffic for the Third Control

- 3.4.1 The Authority has taken note of AAI's comment regarding traffic for the Third Control Period. However, at present, the traffic situation is very dynamic. There is no scientific model available for traffic projections to cater to such pandemic situations.
- 3.4.2 The Authority has reviewed the actual domestic passenger and ATM of Pune International Airport for the period April 2021 to January 2022 and is of the view that AAI estimates for FY 2021-22 seems to be reasonable. Therefore, the estimates of domestic passenger traffic and ATM for the FY 2021-22 as submitted by AAI has been considered.
- 3.4.3 The Authority noted that DGCA vide circular dated 8th March 2022, has decided to resume scheduled commercial international passenger services to/from India from 27th March 2022. The Authority also noted that at Pune International Airport, international passenger in the month of January 2022 was 3000 (in no's), which was 910% higher as compared to sum of other 9 months of FY 2021-22. Upon enquiry, AAI submitted that Spicejet has started international flights under Air Bubble Agreement from January month. The Authority, after analyzing the resumption and revocation of suspension on international flights, decides to consider international passenger and ATM traffic for FY 2021-22 based on average of 10 months (i.e from April 2021 to January 2022) and for FY 2022-23 to be at 50% of Pre-Covid Level.
- 3.4.4 The Authority is also of the view that the effect of third wave may not be a long continuing one and hence, does not intend changing the projections for FY 2023-24 to FY 2025-26 in the Third Control Period.
- 3.4.5 The projections made by the Authority are made on a prudent basis and is of the view that the achievement of the pre-COVID traffic levels for domestic is a certain possibility in FY 2022-23 and international by FY 2023-24. Further, traffic projections for the Third control period will be traced up in the next control period.



TRAFFIC FOR THE THIRD CONTROL PERIOD

3.4.6 The revised traffic estimates submitted by AAI and that decided to be considered by the Authority is detailed in the table below:

Table 71: Traffic for the Third Control Period as decided by the Authority

Passenger Traffic (in millions)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
Domestic								
AAI submission	7.927	2.133	3.599	5.522	6.903	7.938	8.891	32.853
% of FY 20		27%	45%	70%	87%	100%	112%	
AERA at CP Stage	7.927	2.133	5.391	7.927	9.196	10.464	11.733	44.711
% of FY 20		27%	68%	100%	116%	132%	148%	
AERA at Order Stage	7.927	2.133	3.599	7.927	9.196	10.464	11.733	42.919
% of FY 20		27%	45%	100%	116%	132%	148%	
International								
AAI submission	0.158	0.005	0.001	0.033	0.066	0.112	0.168	0.38
% of FY 20		3%	1%	21%	42%	71%	106%	
AERA at CP Stage	0.158	0.005	0.036	0.119	0.158	0.163	0.168	0.644
% of FY 20		3%	23%	75%	100%	103%	106%	
AERA at Order Stage	0.158	0.005	0.004	0.079	0.158	0.163	0.168	0.572
% of FY 20		3%	3%	50%	100%	103%	106%	
Total								
AAI submission	8.086	2.138	3.6	5.555	6.969	8.051	9.059	33.234
% of FY 20		26%	45%	69%	86%	100%	112%	
AERA at CP Stage	8.086	2.138	5.427	8.046	9.354	10.627	11.9	45.354
% of FY 20		26%	67%	100%	116%	131%	147%	
AERA at Order Stage	8.085	2.138	3.603	8.007	9.354	10.627	11.900	43.491
% of FY 20		26%	45%	99%	116%	131%	147%	

ATM (in 000's)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
Domestic								
AAI submission	53.066	19.686	29.850	43.092	51.710	56.881	61.432	242.965
% of FY 20		37%	56%	81%	97%	107%	116%	
AERA at CP Stage	53.066	19.686	36.085	53.066	60.495	67.924	75.354	292.924
% of FY 20		37%	68%	100%	114%	128%	142%	
AERA at Order Stage	53.066	19.686	29.850	53.066	60.495	67.924	75.354	286.689
% of FY 20		37%	56%	100%	114%	128%	142%	
International								
AAI submission	1.195	0.145	0.150	0.625	0.750	0.900	1.260	3.685
% of FY 20		12%	13%	52%	63%	75%	105%	
AERA at CP Stage	1.195	0.145	0.275	0.896	1.195	1.231	1.267	4.864
% of FY 20		12%	23%	75%	100%	103%	106%	
AERA at Order Stage	1.195	0.145	0.202	0.598	1.195	1.231	1.267	4.493



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ATM (in 000's)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total (FY22 to FY26)
% of FY 20		12%	17%	50%	100%	103%	106%	
Total								
AAI submission	54,261	19,831	30,000	43,717	52,460	57,781	62,692	246,65
% of FY 20		37%	55%	81%	97%	106%	116%	
AERA at CP Stage	54,261	19,831	36,36	53,962	61,69	69,155	76,62	297,787
% of FY 20		37%	67%	99%	114%	127%	141%	
AERA at Order Stage	54,261	19,831	30,052	53,664	61,690	69,155	76,620	291,181
% of FY 20		37%	55%	99%	114%	127%	141%	

3.5 Authority's decision regarding to traffic for the Third Control Period

Based on the material before it and its analysis, the Authority has decided the following with respect to traffic for the Third Control Period:

- 3.5.1 To consider traffic as set out in Table 71 for Third Control Period.
- 3.5.2 To true up the traffic based on actual numbers for the Third Control Period at the time of determination of tariff for the next control period.

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4. REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD**4.1 Background**

4.1.1 AAI has proposed aeronautical additions to RAB to the tune of Rs. 53,496.92 Lakhs for the Third Control Period as part of its submissions. The Authority has organized the discussions in the chapter in the following Order:

- Capital Additions proposed for the Third Control Period
- Means of Finance
- Depreciation
- Regulatory Asset Base

4.2 Capital Additions proposed for the Third Control Period**Capital Additions submitted by AAI**

4.2.1 The capital additions submitted by AAI was divided into the following heads for analysis:

- A. Capital additions deferred from the Second Control Period to the Third Control Period
- B. New capital additions proposed for the Third Control Period

4.2.2 These are detailed in the same sequence in the following paragraphs,

A. Capital Additions deferred from the Second Control Period to the Third Control Period

4.2.3 As per AAI's submission, capital additions deferred from the Second Control Period to the Third Control Period are as follows:

Table 72: Gross & Aeronautical capital additions deferred from Second Control Period to Third Control Period as submitted by AAI

(Rs. in Lakhs)

S. No.	Name of Work	Year of Cap. (FY)	Project Cost	FA	IDC	Expense Capitalization (i.e., Project Employee cost)	Total amount (incl. FA, IDC, Exp. Cap.)	Aero Amount
1	NITB (Basement floor, Ground Floor, First Floor & Mezzanine floor)	2022-23	25,748.19	1,925.91	1,167.48	952.84	29,794.42	27,571.98
2	City side Canopy including underneath roads, fascia etc.	2022-23	3,371.79	252.20	152.88	124.78	3,901.65	3,650.06
3	U/G Water tank, pump house, rainwater storage tanks, WTP etc.	2022-23	1,430.45	106.99	64.86	52.94	1,655.25	1,654.72
4	Service yards (Basement, Ground floor) incl. UG Tunnel,	2022-23	2,860.91	213.99	129.72	105.87	3,310.49	3,310.43



REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

S. No.	Name of Work	Year of Cap. (FY)	Project Cost	FA	IDC	Expense Capitalization (i.e., Project Employee cost)	Total amount (incl. FA, IDC, Exp. Cap.)	Aero Amount
	DG Sets, cooling towers etc.							
5	Sewage Treatment Plant	2022-23	613.05	45.85	27.80	22.69	709.39	709.45
6	Exit roads, Apron entry road, Landscaping, storm water lines, sewer lines etc.	2022-23	1,736.98	129.92	78.76	64.28	2,009.94	2,009.99
7	Baggage Handling system	2022-23	4,904.42	366.84	222.38	181.49	5,675.13	5,675.19
8	Passenger Boarding Bridges 05 Nos.	2022-23	1,298.84	97.15	58.89	48.07	1,502.95	1,502.95
9	Artwork	2022-23	102.18	7.64	4.63	3.78	118.23	118.24
10	Project management Consultancy	2022-23	2,354.38	191.06	115.82	94.53	2,955.80	2,765.15
	Total		44,621.19	3,337.57	2,023.22	1,651.26	51,633.24	49,268.16

B. New capital additions proposed for the Third Control Period

4.2.4 Details of the new capital additions for the Third Control Period as submitted by AAI is detailed below:

Table 73: New Capital Additions for the Third Control Period as submitted by AAI

(Rs. in Lakhs)

S. No.	Name of Work	Year of Cap. (FY)	Project Cost	FA	IDC	Total amount (incl. FA, IDC)	Aero Amount
1	Digi Yatra: E-Boarding Biometric Boarding System (BBS)	2021-22	1,408.68	35.53	53.30	1,497.52	1,497.52
2	Biometric Access Control System	2021-22	184.87	2.30	3.44	190.61	178.31
3	First Bag Last Bag Project (04 Nos.)	2021-22	5.63	-	-	5.63	5.63
4	MS office (25 Nos.)	2021-22	6.25	-	-	6.25	6.25
5	Computers (25 Nos.)	2021-22	20.00	-	-	20.00	20.00
6	UPS for Computers (25 Nos.)	2021-22	1.00	-	-	1.00	1.00
7	Printers/Scanners (10 Nos.)	2021-22	2.00	-	-	2.00	2.00
8	Replacement of Airconditioning Chiller Plant	2022-23	250.00	5.67	8.50	264.17	264.17
9	Baggage Trolley	2022-23	254.24	-	-	254.24	254.24
10	NBIS	2022-23	254.24	-	-	254.24	254.24
11	MS office (30 Nos.)	2023-24	8.40	-	-	8.40	8.40
12	Computers (30 Nos.)	2023-24	25.50	-	-	25.50	25.50
13	UPS for Computers (30 Nos.)	2023-24	1.50	-	-	1.80	1.50



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S. No.	Name of Work	Year of Cap. (FY)	Project Cost	FA	IDC	Total amount (incl. FA, IDC)	Aero Amount
14	Printers/Scanners (15 Nos.)	2023-24	3.30	-	-	3.30	3.30
15	Replacement of AHU in old TB	2023-24	250.00	5.67	8.50	264.17	264.17
16	Replacement of LED lightings in TB	2023-24	50.00	-	-	50.00	50.00
17	SCCTV	2023-24	100.00	-	-	100.00	100.00
18	XBIS	2023-24	200.00	-	-	200.00	200.00
19	Gas Based Generator sets	2024-25	250.00	5.67	8.50	264.17	264.17
20	SITC of FIDS	2024-25	100.00	-	-	100.00	100.00
21	Strengthening of Power Supply System	2025-26	150.00	-	-	150.00	150.00
22	PA System	2025-26	100.00	-	-	100.00	100.00
23	Solar Plant	2025-26	450.00	11.35	17.03	478.38	478.38
	Total		4,075.69	66.18	99.27	4,241.08	4,228.76

Allocation of Assets into aeronautical and non-aeronautical components as submitted by AAI

4.2.5 Classification of assets capitalized in Third Control Period has been done between Aeronautical and Non-Aeronautical services by AAI considering the ratios as given below.

Table 74: Allocation of assets to be capitalized in Third Control Period submitted by AAI

Particulars	Aero (%)	Ratio
Roads, Bridges & culvert	100%	
Terminal/Other Buildings	93.55%	TBLR
Computer, IT Hardware & Access	100%	
Biometric Access Control System	93.55%	TBLR
Plant and Machinery	100%	
Electrical Installations	93.55%	TBLR
Furniture & Fixtures	100%	
X-Ray Baggage	100%	
Solar System	100%	

Aeronautical Additions to RAB submitted by AAI

4.2.6 Based on the above, AAI has proposed the following additions to RAB for the Third Control Period:

Table 75: Additions to RAB for the Third Control Period submitted by AAI

Additions	(Rs. in Lakhs)					Total
	FY22	FY23	FY24	FY25	FY26	
Road, Bridges & Culverts	-	1,655.32	-	-	-	1,655.32
Building- Terminal	-	21,685.76	-	-	-	21,685.76
Building -Others	-	6,392.38	-	-	-	6,392.38
Computer & Peripherals - End User	23.00	-	30.30	-	-	53.30
Intangible Assets- Software	1,687.71	-	8.40	-	-	1,696.11
Plant & Machinery	-	-	100.00	100.00	-	200.00



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Additions	FY22	FY23	FY24	FY25	FY26	Total
Electrical Installations	-	14,123.68	314.17	264.17	250.00	14,952.02
Solar System	-	-	-	-	478.38	478.38
Furniture & Fixtures - Trolley	-	254.24	-	-	-	254.24
X Ray Baggage System	-	5,929.43	200.00	-	-	6,129.43
Total (Table 72 & Table 73)	1,710.71	50,040.80	652.87	364.17	728.38	53,496.92

Authority's examination of Capital expenditure plan for the Third Control Period as part of Consultation Paper

4.2.7 While analyzing the MYTP regarding capital expenditure for Third Control Period, the Authority had taken into consideration the reduced traffic due to COVID 19 pandemic and appropriately rationalized the proposed capital expenditure as given in the following paras:

4.2.8 For the purpose of analysis, the Authority had grouped the capital additions into two categories, as follows:

I. Capital additions deferred from the Second Control Period to the Third Control Period by the Authority

II. New Capital additions proposed in the Third Control Period by the Authority

I. Capital additions deferred from the Second Control Period to the Third Control Period by the Authority

4.2.9 Following table summarizes the cost of NITB Project and its allied works deferred from the Second Control Period to the Third Control Period as submitted by AAI in second control period, as approved by the Authority in the Second Control Period order together with the current estimate submitted by AAI.:

Table 76: Comparison of Project cost approved in Second Control Period order and revised project cost submitted by AAI

Project	Ref	Capitalisation Year	(Rs. in Lakhs)
			Amount
Total Project cost for NITB and its allied works as submitted by AAI during tariff determination of Second Control Period	A	FY21	47,540
Total Project Cost approved by Authority in Second Control Period Order (Refer Table 19 -D)	B	FY21	38,085
Revised project cost submitted by AAI as part of MYTP for the Third Control Period (excluding IDC FA and project expenses) (Table 72-Project Cost)	C	FY23	44,621

A. The Authority had noted that in the Second Control Period Order, AAI has submitted the cost of New Terminal Building addition in FY 2020-21 to be Rs. 47,540 lakhs.

B. The Authority had approved the capital expenditure of NITB after taking into consideration the following:

- Amount as per Normative cost benchmarks set under Order No. 07/2016-17 - Rs. 33,535 lakhs
- Additional items outside of the Normative benchmarks - Rs. 1,800 lakhs (Contingency work & solar photovoltaic power generation system) and Rs. 2,750 lakhs (Tensile Canopy and Aerobridge)
- Total - Rs. 38,085 lakhs.

C. The Authority, in the Second Control Period order (Para 9.9) had also decided as follows:



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"The Authority had asked AAI for detailed information on justification for exceeding the normative benchmarks. Due to lack of adequate information and in the interest of avoiding delays in tariff, the Authority had proposed to determine capital expenditure using norms at this stage. The Authority is aware of the shortcoming of this approach and therefore, shall undertake a study on reasonableness of capital expenditure after capitalization of these assets and make appropriate adjustments while determining tariffs for third control period. Based on the outcome of the study and the fairness of tender procedures followed for selection of the contractor, the Authority had proposed to true-up the capital expenditure for terminal building at the time of tariff determination for the third control period"

- D. The Authority had noted that the above approved amount for New Integrated Terminal Building i.e., Rs. 38,085 lakhs which was proposed to be capitalized in FY 2020-21 has been deferred to FY 2022-23 of Third Control Period. Upon enquiry, AAI informed that the pandemic in FY 2020-21 had impacted the construction work and therefore, the project of NITB got delayed and deferred to FY 2022-23. Therefore, the Authority had proposed to consider NITB as capital addition in Third Control Period.
- E. The Authority had also noted that the projected cost for NITB for Third Control Period increased from the approved amount in the Second Control Period Order. In order to determine the reasons for variance, the Authority tabulated the Capital additions as approved in the Second Control Period order and additions as submitted in the MYTP by AAI for the Third Control Period as follows:

Table 77: Capital Additions deferred from the Second Control Period to the Third Control Period as per AAI

(Rs. in Lakhs)

Project	Ref	Proposed cost submitted by AAI at the time of Second Control Period-MYTP submission	Approved in Second Control Period Order	Proposed Cost by AAI in Third Control Period	Difference (Approved in Second Control Period-Cost proposed in Third Control Period)
New Integrated Terminal Building (Civil & Electrical Work)		47,540.00	35,335.23		
PMC-Expansion of Terminal Building-(Tensile canopy)	A	919.18	919.18	44,621.19	6,335.78
PMC-Expansion of Terminal Building-Electrical works (aerobridge)		1,831.00	1,831.00		
Baggage Trolley & XBIS	B	-	-	508.47	508.47
Total	C=A+B	50,290.18	38,085.41	45,129.66	7,044.25
Financing Allowance	D	-	-	3,337.57	3,337.57
IDC	E	-	-	2,023.22	2,023.22
Project division expenses capitalized (Exp. Cap)	F	-	-	1,651.26	1,651.26
Total (including FA, IDC and Exp. Cap)	G=Sum (C: F)	50,290.18	38,085.41	52,141.71	14,056.30



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4.2.10 The above items as detailed in Table 77 are discussed below:

A. New Integrated Terminal Building (Civil & Electrical work) along with Tensile Canopy & Aerobridge

4.2.11 The Authority had noted that the approved cost of NITB of Pune International Airport was Rs. 38,085.41 lakhs in the Second Control Period Order. (AAI had estimated Rs. 50,290.18 lakhs for this in the MYTP submission for the Second Control Period). AAI later submitted a revised cost of Rs. 44,621.19 lakhs as part of MYTP for Third Control Period. Further, AAI added Baggage Trolley & XBIS (Rs. 508.47 lakhs), Financing Allowance, IDC, and Expense Capitalization (Rs. 7,012.05 lakhs) for the Third Control Period. Upon enquiry, AAI had submitted that the revised cost is based on the project cost decided by the consultant appointed for planning and project management.

4.2.12 AAI had submitted the cost breakup of revised cost including Aerobridge and Tensile canopy. The cost breakup has been presented below:

Table 78: Revised Cost Breakup for NITB as submitted by AAI

(Rs. in Lakhs)			
S. No.	Name of Work	Year of Cap. (FY)	Project Cost
1	NITB (Basement floor, Ground Floor, First Floor & Mezzanine floor)	2022-23	25,748.19
2	City side Canopy including underneath roads etc.	2022-23	3,371.79
3	U/G Water tank, pump house, rainwater storage tanks, WTP etc.	2022-23	1,430.45
4	Service yards (Basement, Ground floor) incl. UG Tunnel, DG Sets, cooling towers etc.	2022-23	2,860.91
5	Sewage Treatment Plant	2022-23	613.05
6	Exit roads, Apron entry road, Landscaping, storm water lines, sewer lines etc.	2022-23	1,736.98
7	Baggage Handling system	2022-23	4,904.42
8	Passenger Boarding Bridges 05 Nos.	2022-23	1,298.84
9	Artwork	2022-23	102.18
10	Project management Consultancy	2022-23	2,554.38
	Total		44,621.19

4.2.13 As can be seen from the above table, the Passenger Boarding Bridge and Tensile Canopy is now part of revised cost whereas in the approved amount in the Second Control Period order, this item was separately approved for Rs. 2,750.18 lakhs (in Table 77 above). Upon enquiry, AAI had submitted that the scheme for Canopy and Aerobridge of Rs. 919 lakhs and Rs. 1,831 Lakhs respectively projected and approved in Second Control Period Order was not executed and scheme was deferred, and the projected capex spends of Rs. 3,371.79 lakhs and Rs. 1,298.84 lakhs respectively towards these (Item no. 2 and 8 in Table 78 above) in FY 2022-23 are now part of NITB project work.

4.2.14 The Authority also noted that in Second Control Period Order, the Authority had approved the normative benchmark for FY 2020-21 at cost of Rs.79,846 per sq. m. For calculating the normative benchmark cost at Rs.79,846 per sq. m, the Authority had not considered certain line items as presented in table below as no justifications were given by AAI at the time of Second Control Period Order (Refer Table 28 and Para 9.9 of the Second Control Period Order).



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- 4.2.15 On enquiry of items not considered by the Authority in the Second Control Period Order, AAI stated that since about 65% of the terminal has been completed, AAI has better visibility on the cost structure and components for this project. AAI thus revised the entire normative cost working.
- 4.2.16 The Authority had noted that the normative cost calculation of NITB of Pune International Airport is submitted in a consolidated manner. As per AAI's submission, the cost as per Normative Benchmark is Rs. 82,792.81 per sq.m. for the whole integrated terminal building in FY 2022-23 (year in which NITB is proposed to be capitalized) as below.

Table 79: Terminal Building – Cost per sq. m

Project	Ref	Submitted by AAI
New Integrated Terminal Building (Rs. in Lakhs)	A	44,621.19
Area in sq.m.	B	53,895
Total	C=A*10⁵/B	82,792.81

- 4.2.17 The Normative cost approved by the Authority in Order No. 07 of 2016-17 was Rs. 65,000 per sqm in the year FY 2016-17. Applying inflation of 4.2% as approved in Second Control Period order, the per sqm cost in FY 2022-23 (year in which the NITB is proposed to be capitalized) amounts to Rs. 86,693.70. From the above table the Authority had noted that the proposed overall cost per sqm. is within the range based on the Normative benchmark set by AERA.

Financing Allowance

- 4.2.18 The Authority had noted that the Airport Operator has computed financing allowance on the entire WIP amount being capitalized, whereas the Authority was of the view that such an allowance is essentially the IDC for a project and should be provided only on the debt portion of the project funds. Detailed explanation for the same had been presented in para 2.4.11-J. Accordingly, the Authority had considered IDC to be provided based on revisions in the proposed capital expenditure discussed for the Third Control Period.

AUCC Meeting

- 4.2.19 NITB was scheduled to be capitalized in FY 2020-21 (Second Control Period). Accordingly, AAI had conducted a stakeholder meeting regarding NITB on 11.03.2017 and the minutes of the meeting was submitted. The Authority noted that AAI decided to conduct another AUCC meeting for all assets crossing the threshold limit in Third Control Period, together with an update on the progress of NITB project. The Authority was given to understand that the same was fixed by AAI to be conducted before 31.08.2021 but had not yet been conducted. AAI submitted that it would share the minutes of the meetings as and when the meeting was conducted.

- 4.2.20 The Authority had taken exception to the fact that AAI has not carried out the meeting planned to be conducted by 31.08.2021. The Authority expected AAI to conduct the AUCC meeting and submit the minutes of meeting to the Authority before the issue of MYTO. The Authority noted that AAI may use Video conferencing facilities for ease of conducting meetings on time.

Project Expenses

- 4.2.21 The project expenses consist of employee cost which are allocated specifically to the project. The Authority had noted that these costs pertain to the internal AAI employees who are exclusively engaged in overseeing the project. The Authority also noted that the project expenses projected by AAI considers actuals from FY 2018-19 (commencement year of the project) to FY 2020-21 and increased by 5% inflation thereafter till completion of the project i.e., FY 2022-23. The Authority had proposed to consider the actuals till FY 2022-21 and increases by 3% inflation as proposed and explained in para 6.2.2. The Authority had considered to adopt the project expense cost after considering these revised figures.



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- 4.2.22 The Authority had analyzed the physical and financial progress of the above capital expenditure pertaining to the construction of NITB at Pune International Airport. This construction commenced in FY 2018-19 and is expected to be completed and commissioned at the end of FY 2022-23. Presently, contracts for the construction of passenger terminal building have been awarded. The project engineer of AAI had certified that, as of 30th September 2021, 65% of this contract has been completed. Post-completion of this expansion, the passenger capacity is expected to be enhanced from 7 MPPA to 19 MPPA.
- 4.2.23 The Authority had estimated that the actual passenger traffic is expected to reach approximately 8.88 MPPA at the end of the FY 2022-23. The Terminal building will have a handling capacity of 19 MPPA after the expansion, meaning that the capacity utilization of the new building will be to the extent of 47% during the commissioning of NITB and increase to 59% at the end of Third Control Period. The Authority was of the view that the utilization of the new terminal is reaching about 59% due to the change in traffic patterns owing to the pandemic. As the project commenced before Covid-19, based on the traffic and projections made at that time, the Authority had proposed to consider the entire cost of the Terminal Building as additions in the Third Control Period.

Capital additions proposed to be considered by the Authority for capital works deferred from the Second Control Period to the Third Control Period

- 4.2.24 Based on the examination detailed in the paragraphs above, the Authority had proposed to consider the capital additions of projects deferred from the Second Control Period to the Third Control Period as provided below.

Table 80: Capital additions deferred from the Second Control Period to Third Control Period considered by the Authority

(Rs. in Lakhs)					
Project	Ref	Submitted by AAI	Proposed by the Authority	Difference	Remarks
New Integrated Terminal Building	A				Note 1
PMC-Expansion of Terminal Building- (Tensile canopy)	B	44,621.19	43,694.92	-926.27	
PMC-Expansion of Terminal Building- Electrical works (aerobridge)	C				
Baggage Trolley & XBIS	D	508.47	508.47	-	Note 2
Total	E=Sum(A;D)	45,129.66	44,203.39	-926.27	
Financing Allowance	F	3,337.57	-	-3,337.57	Note 3
IDC	G	2,023.22	2,005.96	-17.26	Note 4
Project division expenses capitalized (Esp. Cap)	H	1,651.26	1,630.60	-20.67	Note 5
Total (including FA, IDC and Exp. Cap)	I=Sum(E;H)	52,141.71	47,839.95	-4,301.77	

Note 1: Reduction on account of non-consideration of GST on Baggage handling system and passenger boarding bridge which will be available as GST credit (Rs. 926.27 lacs).

Note 2: Cost of Baggage Trolley & XBIS of Rs. 508.47 lakhs has been considered by AAI as part of new additions. Hence, the value taken for comparison of cost submitted by AAI is sum total of Rs. 52,141.71 lakhs which is a sum of value of this item and Rs. 51,633.24 lakhs as given in Table 77.

Note 3: Refer Para 4.2.18 above

Note 4: Consequential impact due to reduction in the capital expenditure

Note 5: Due to reduction in cost estimate (refer para 4.2.21)



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II. New Capital additions proposed in the Third Control Period by the Authority

- 4.2.25 The Authority had noted that along with NITB project, AAI has submitted fresh Capital additions of Rs. 4,075.60 lakhs (without IDC, FA & Expense Capitalization) (refer Table 73). The Authority reviewed the submitted capital addition projections in detail and enquired about the requirement for such additions in the Third Control Period.
- 4.2.26 Further, the Authority had observed that body scanners worth Rs. 2500 lakhs which were submitted in the current MYTP by AAI as additions in FY 2020-21 has actually been deferred to FY 2022-23. Thus, the Authority's evaluation as explained below includes this cost as part of Third Control Period capital expenditure (refer para 4.2.29).
- 4.2.27 Analysis of individual items above Rs. 50 lakhs is presented below.

Table 81: Capital additions for the Third Control Period submitted by AAI with justifications

(Rs. in Lakhs)

S. No.	Name of Work	Year of Cap. (FY)	Project Cost (Excluding FA&IDC)	Justifications
1	Digi Yatra; E-Boarding Biometric Boarding System (BBS)	2021-22	1,408.68	Ministry of Civil Aviation (MoCA) had published the Digi Yatra policy document covering guidelines for implementation of the Digi Yatra system at Airports, which would ensure paperless and hassle-free journey to all passengers and enhance the security of travel through biometric passenger authentication. Further, DGCA had published the Civil Aviation Requirement (CAR) document mandating the Airports to implement the Digi-Yatra E-Boarding system. AAI had proposed to implement the system in the Third Control Period. Therefore, E-Boarding Biometric Boarding System (BBS) has been tendered for 4 airports all together which will lead to better passenger facilitation and improve the operational efficiency of the airport.
2	Biometric Access Control System	2021-22	184.87	AAI submitted that it is required to maintain the quality and standard of operations at the Pune International Airport.
3	Replacement of Airconditioning Chiller Plant	2022-23	250.00	AAI clarified that these expenses are to be carried out across the five years of the Third Control Period in order to maintain the quality and standard of operations at the Pune International Airport. Such capital works would lead to better passenger facilitation and improve the operational efficiency of the airport.
4	Replacement of AHU in old TB	2023-24	250.00	AAI clarified that presently Pune International Airport has 2 no's of 220TR AC plants along with associated equipment like cooling towers, pumps, AHUs etc installed in 2006 which are in use for around 15 years. AHUs require replacement for efficient performance which involves replacement of allied pipelines, valves, Electrical panels etc and BMS. AAI is of the opinion that such assets are required to be maintained for better operational efficiency of the Airport.
5	Body Scanners	2022-23	2,500.00	AAI has considered Body Scanners as part of Second Control Period additions in FY 2020-21 (as explained in para 4.2.29) and has included 10 nos of Body Scanners for existing and proposed terminal building of Pune International Airport which is required to maintain the quality and standard of operations at the Pune International Airport.



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S. No.	Name of Work	Year of Cap. (FY)	Project Cost (Excluding FA&IDC)	Justifications
6	Replacement of LED lightings in TB	2023-24	50.00	AAI clarified that these expenses are to be carried out across the five years of the Third Control Period in order to maintain the quality and standard of operations at the Pune International Airport. AAI is of the opinion that such capital works would lead to better passenger facilitation and improve the operational efficiency of the airport.
7	SCCTV	2023-24	100.00	AAI responded that S-CCTV is for existing Terminal Building and to be procured as replacement of existing System which is likely to complete its useful life.
8	XBIS	2023-24	200.00	AAI responded that XBIS is for existing Terminal Building and to be procured as replacement of existing System which is likely to complete its useful life.
9	Gas Based Generator sets	2024-25	250.00	AAI informed that the gas-based generator will be required to reduce environmental pollution as per government policy.
10	SITC of FIDS	2024-25	100.00	FIDS are for old Terminal Building and to be procured as replacement of existing System which is likely to complete its useful life.
11	Strengthening of Power Supply System	2025-26	150.00	AAI submitted that there will be changes in the present 11kv power supply from Maharashtra State Electricity Distribution Co. Ltd (MSEDCL) to the present Airport when the power supply is provided to the New Terminal after commissioning. This involves some modification in the existing arrangement, thus the proposed cost.
12	PA System	2025-26	100.00	PA Systems are installed for Old Terminal Building and to be procured as replacement of existing System as they are likely to complete its useful life.
13	Solar Plant	2025-26	450.00	AAI submitted that the total solar plant capacity till now is 450kw which is less. Therefore, after commissioning of New Terminal will require a higher watt solar power plant to save electricity.
14	Multiple Assets (less than 50 lakhs)	-	582.05	-
	Total		4,575.60	Refer Table 73-Project cost plus Rs. 2,500 lakhs as explained in para 4.2.29

Digi Yatra: E-Boarding Biometric Boarding System (BBS)

- 4.2.28 AERA supports digital initiatives aimed at operational efficiency and benefit of the users. However, the costs for this project as per the document submitted by AAI contains three elements - Capex, Opex and O&M, where AAI has considered Opex as Capex in capital additions. Upon enquiry, AAI had not provided detailed clarification on the difference in the three categories of spend and the costs that will be capitalized and those that will be part of O&M costs. Therefore, the Authority had proposed to not consider the cost of this project in the capital expenditure (nor revenue expenditure) for the Third Control Period but proposed that any cost incurred on this project in Third Control period, will be true up in the next control period, based on actual incurrence and its review and requested that AAI submit the details in this regard at the time of true up of Third Control Period.

Body Scanners

- 4.2.29 The Authority had noted that AAI in FY 2020-21 in its initial MYTP submission, projected body scanners as additions for FY 2020-21. On enquiry, AAI stated that the Body scanners were meant for both terminals and will be installed in FY 2022-23. 10 body scanners were proposed to be installed at existing and new



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terminal buildings. Based on publicly available data, the Authority had noted that the existing tender was cancelled and the process of retendering this contract was in progress in March 2021. Considering the importance of this asset due to security reasons, the Authority had proposed to consider the body scanners as proposed to be purchased by AAI as addition in the Third Control Period.

Multi-Level Car Parking

4.2.30 The Authority had noted that AAI was in the process of commissioning Multi Level Car Park. This was not submitted as part of the projected capital expenditure. The Authority noted that Multi Level Car Parking is a Non-Aeronautical asset and will not form part of Aeronautical RAB.

4.2.31 Based on the above justifications given by AAI, the Authority had noted that the additions to be made to Capital Expenditure are for maintaining the quality and standard of the operations at the Airport and smoothen the passenger facilities. Thus, the Authority had considered the new capital additions as submitted by AAI, except for Digi Yatra due to reasons explained in Para 4.2.28, after reducing the Financing Allowance from the cost and considering IDC on the assets as provided below:

Table 82: New Capital additions for Third Control Period considered by the Authority

Particulars	(Rs. in Lakhs)			Notes Ref.
	Total (AERA)	Total (AAI)	Difference	
XBIS	200.00	200.00	-	
Body Scanners	2,500.00	-	2,500.00	Note 1
Digi Yatra: E-Boarding (Biometric Boarding System (BBS))	-	1,497.52	-1,497.52	Note 2
Replacement of Airconditioning Chiller Plant	258.50	264.17	-5.67	Note 3
PA System	100.00	100.00	-	
Biometric Access Control System	184.87	190.61	-5.74	
Provision / Replacement of AHU in old Terminal building at Pune International Airport	258.50	264.17	-5.67	
Provision of Gas Based generator sets at Pune International Airport	258.50	264.17	-5.67	
Provision of Solar Plant at Pune International Airport	467.03	478.38	-11.35	
SITC of FIDS	100.00	100.00	-	
SCCTV	100.00	100.00	-	
Strengthening of Power Supply System at Pune International Airport	150.00	150.00	-	
Replacement of LED lightings of Existing Terminal Building at Pune International Airport	50.00	50.00	-	
UPS for Computers (25 Nos.)	1.00	1.00	-	
UPS for Computers (30 Nos.)	1.50	1.50	-	
Computers (25 Nos.)	20.00	20.00	-	
Computers (30 Nos.)	25.50	25.50	-	
First Bag Last Bag Project (04 Nos.)	5.63	5.63	-	
MS office (25 Nos.)	6.25	6.25	-	
MS office (30 Nos.)	8.40	8.40	-	
Printers/Scanners (10 Nos.)	2.00	2.00	-	
Printers/Scanners (15 Nos.)	3.30	3.30	-	
Total	4,700.98	3,732.60	968.38	Note 4

Notes:

1. Refer para 4.2.29 for explanation
2. Refer para 4.2.28 for explanation
3. Due to non-consideration of Financing Allowance
4. New capital additions as submitted by AAI as given in Table 73 is Rs. 4,241.08 lakhs, out of which Rs. 308.47 lakhs has been considered along with deferred projects in Table 80. Hence the balance value of Rs. 3,732.60 lakhs (Rs. 4,241.08 lakhs minus Rs. 308.47 lakhs) has been presented in the above table.



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- 4.2.32 The Authority proposed to reduce (readjustment) 1% of the project cost from ARR/Target Revenue as readjustment in case any particular project does not get capitalized as proposed. It was further clarified that in case there is a delay in completion of the project beyond the timeline proposed, due to any reason beyond the control of Pune International Airport or its contracting agency and is properly justified, the same would be considered by the Authority while triuing up the actual cost at the time of determination of tariff for the Fourth Control Period. Further, this proposal was applicable to all the projects forecasted to be capitalized in the Third Control Period given in this Consultation Paper. This will ensure timely adherence to the capital expenditure plan proposed in the Third Control Period.
- 4.2.33 Based on the discussion above, the total capital additions proposed to be considered by the Authority in the Third Control Period was as tabulated below:
- 4.2.34 Based on the Authority's analysis of capital expenditure deferred from Second Control Period (Para 4.2.9 to Para 4.2.24) and new capital expenditure proposed to be incurred in the Third Control Period (Para 4.2.25 to Para 4.2.31), the Authority considered a total Capital Expenditure of Rs. 52,540.93 lakhs as given below:

Table 83: Capital Expenditure additions for the Third Control Period considered by the Authority

Reference	Project	No.	Particulars	Submitted by AAI	Proposed by the Authority	Difference
				1	2	3-2-1
I	Capital additions deferred from the Second Control Period to the Third Control Period	IA	New Integrated Terminal Building	44,621.19	43,694.92	-926.27
		IB	PMC-Expansion of Terminal Building- (Tensile canopy)			
		IC	PMC-Expansion of Terminal Building-Electrical works (aerobridge)			
		ID	Baggage Trolley & XBIS	508.47	508.47	-
		IE	Financing Allowance	3,357.57	-	-3,357.57
		IF	IDC	2,023.22	2,005.96	-17.26
		IG	Project division expenses capitalized (Exp. Cap)	1,651.26	1,630.60	-20.67
		I	Sub Total (NTB)		52,141.71	47,839.95
II	New Capital additions proposed in the Third Control Period	IIA	XBIS	200.00	200.00	-
		IIB	Body Scanners	-	2,500.00	-2,500.00
		IIC	Digi Yatra: E-Boarding Biometric Boarding System (BBS)	1,497.52	-	1,497.52
		IID	Replacement of Airconditioning Chiller Plant	264.17	258.50	5.67
		IIE	Biometric Access Control System	190.61	184.37	5.74
		IIF	Provision / Replacement of AHU in old Terminal building at Pune International Airport	264.17	258.50	5.67
		IIG	Provision of Gas Based generator sets at Pune International Airport	264.17	258.50	5.67
		IIH	Provision of Solar Plant at Pune International Airport	478.38	467.03	11.35
		IIJ	Strengthening of Power Supply System at Pune International Airport	150.00	150.00	-
		IIJ	Other Assets	423.58	423.58	-
		II	Sub Total (New Capital Additions)		3,732.60	4,700.98
Grand Total of Capital Additions Proposed in the Third Control Period (I+II)				55,874.31	52,540.93	-5,270.15

- 4.2.35 The year-wise break-up of the additions considered by the Authority is as given below:



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Table 84: Year-wise break-up of the additions considered by the Authority

(Rs. in Lakhs)

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total (AERA)	Total (AAI)	Difference
NITB Project Cost								
NITB (Basement Floor, Ground Floor, First Floor & Mezzanine Floor): Civil Work	-	19,993.46	-	-	-	19,993.46	20,098.90	-105.44
NITB (Basement Floor, Ground Floor, First Floor & Mezzanine Floor): Electrical Work	-	9,643.90	-	-	-	9,643.90	9,694.77	-50.87
City Side Canopy including underneath roads, fascia etc.: Civil Work	-	3,528.26	-	-	-	3,528.26	3,547.05	-18.79
City Side Canopy including underneath roads, fascia etc.: Electrical Work	-	352.83	-	-	-	352.83	354.67	-1.84
Service yards (basement Ground Floor) Including UG Tunnel, DG Sets, Cooling Towers: Electrical Work	-	2,116.95	-	-	-	2,116.95	1,182.38	934.57
Service yards (basement Ground Floor) Including UG Tunnel, DG Sets, Cooling Towers: Civil Work	-	1,176.09	-	-	-	1,176.09	2,128.05	-951.96
Exit roads, Apron entry road, land Scaping, Storm water lines, Sewage lines etc.: Civil Work	-	1,646.52	-	-	-	1,646.52	1,655.32	-8.80
Exit roads, Apron entry road, land Scaping, Storm water lines, Sewage lines etc.: Electrical Work	-	352.83	-	-	-	352.83	354.67	-1.84
UG water Tank, Pump house, Rainwater storage tanks, Water treatment Plant WTP etc.: Civil Work	-	1,293.69	-	-	-	1,293.69	1,300.54	-6.85
UG water Tank, Pump house, Rainwater storage tanks, Water treatment Plant WTP etc.: Electrical Work	-	352.83	-	-	-	352.83	354.17	-1.34
STP-Sewage Treatment Plant: Civil work	-	588.04	-	-	-	588.04	591.19	-3.15
STP-Sewage Treatment Plant: Electrical Work	-	117.61	-	-	-	117.61	119.37	-1.76
Baggage Handling System	-	4,784.08	-	-	-	4,784.08	5,675.13	-891.05
Passenger Boarding Bridges 05 Nos	-	1,266.78	-	-	-	1,266.78	1,502.95	-236.17
Artwork	-	117.61	-	-	-	117.61	118.23	-0.62



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Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total (AERA)	Total (AAI)	Difference
Baggage trolley etc.	-	254.24	-	-	-	254.24	254.24	0.00
XBIS	-	254.24	-	-	-	254.24	254.24	0.00
PMC	-	-	-	-	-	-	2,955.80	-2,955.80
Total (A)	-	47,839.95	-	-	-	47,839.95	52,141.71	-4,301.72
New Capital Additions								
Body Scanners	-	2,500.00	-	-	-	2,500.00	-	2,500.00
XBIS	-	-	200.00	-	-	200.00	200.00	-
Digi Yatra: E-Boarding Biometric Boarding System (BBS)	-	-	-	-	-	-	1,497.52	-1,497.52
Replacement of Airconditioning Chiller Plant	-	258.50	-	-	-	258.50	264.17	-5.67
PA System	-	-	-	-	100.00	100.00	100.00	-
Biometric Access Control System	184.87	-	-	-	-	184.87	190.61	-5.74
Provision / Replacement of AHU in old Terminal building at Pune International Airport	-	-	258.50	-	-	258.50	264.17	-5.67
Provision of Gas Based generator sets at Pune International Airport	-	-	-	258.50	-	258.50	264.17	-5.67
Provision of Solar Plant at Pune International Airport	-	-	-	-	467.03	467.03	478.38	-11.35
SITC of FIDS	-	-	-	100.00	-	100.00	100.00	-
SCCTV	-	-	100.00	-	-	100.00	100.00	-
Strengthening of Power Supply System at Pune International Airport	-	-	-	-	150.00	150.00	150.00	-
Replacement of LED lightings of Existing Terminal Building at Pune International Airport	-	-	50.00	-	-	50.00	50.00	-
UPS for Computers (25 Nos.)	1.00	-	-	-	-	1.00	1.00	-
UPS for Computers (30 Nos.)	-	-	1.50	-	-	1.50	1.50	-
Computers (25 Nos.)	20.00	-	-	-	-	20.00	20.00	-
Computers (30 Nos.)	-	-	25.50	-	-	25.50	25.50	-
First Bag Last Bag Project (04 Nos.)	5.63	-	-	-	-	5.63	5.63	-
MS office (25 Nos.)	6.25	-	-	-	-	6.25	6.25	-
MS office (30 Nos.)	-	-	8.40	-	-	8.40	8.40	-
Printers/Scanners (10 Nos.)	2.00	-	-	-	-	2.00	2.00	-
Printers/Scanners (15 Nos.)	-	-	3.30	-	-	3.30	3.30	-
Total (B)	219.75	2,758.50	647.20	358.50	717.03	4,700.98	3,732.60	968.38
Total (A+B)	219.75	50,598.45	447.20	358.50	717.03	52,540.93	55,874.31	-3,333.34



REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Aeronautical Allocation of Assets for the Third Control Period

4.2.36 The following table summarizes the allocation ratios considered by AAI in its MYTP submission:

Table 85: Allocation ratios for the Third Control Period submitted by AAI

S. No	Particulars	As considered by AAI
1	Employee Ratio	96.60%
2	TBLR Ratio	93.55%

4.2.37 The Authority noted that the allocation ratio on additions in the Third Control Period have been applied only to a few assets by AAI. The list of such assets together with the cost is presented below:

Table 86: Assets on which allocation Ratio was applied by AAI

Particular	(Rs. in Lakhs)
	Aero Amount
NITB (Basement floor, Ground Floor, First Floor & Mezzanine floor)	27,872.68
City side Canopy including underneath	3,649.99
Project management Consultancy	2,765.15
Biometric Access Control System	178.31
Total	34,466.13
Total Additions for Third Control Period	53,497.98
Others - (100% Aero Assets)	19,031.85

4.2.38 The Authority had reviewed and reclassified the assets according to the nature of asset after analyzing the same.

4.2.39 The Authority noted that the Terminal Building area has been increased from 23,560 sqm to 77,455 sqm. AAI had submitted that after commencement of New Terminal Building, the area allocated to concessionaries will increase from 1,509.05 sqm to 4,866.05 sqm which is 6.47% of the total area.

4.2.40 The Authority noted that the non-aeronautical component of TBLR is in the range of 5-7%. This is in contrast to the 8-12% that the IATA and IMG norms recommend. Since Pune International Airport attracts a substantial amount of traffic, the Authority encouraged AAI to incorporate larger non-aeronautical component at the airport (especially so since a new integrated terminal is being capitalized). Thus, the Authority proposed to consider a TBLR of 90:10 for the Third Control Period. The Authority sought stakeholders' comments in this regard.

4.2.41 The ratios applied to the considered capital additions is as follows:

Table 87: Assets with allocation Ratios considered by the Authority

Particulars	(Rs. in Lakhs)		
	Total	Aero %	Aero Cost
NITB Project Cost			
NITB (Basement Floor, Ground Floor, First Floor & Mezzanine Floor): Civil Work	19,993.46	91.37%	18,268.02
NITB (Basement Floor, Ground Floor, First Floor & Mezzanine Floor): Electrical Work	9,643.90	91.37%	8,811.63
City Side Canopy including underneath roads, facade etc.: Civil Work	3,528.26	91.37%	3,223.77
City Side Canopy including underneath roads, facade etc.: Electrical Work	352.83	91.37%	322.38



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Particulars	Total	Aero %	Aero Cost
Service yards (basement Ground Floor) Including UG Tunnel, DG Sets, Cooling Towers: Electrical Work	2,116.95	100.00%	2,116.95
Service yards (basement Ground Floor) Including UG Tunnel, DG Sets, Cooling Towers: Civil Work	1,176.09	100.00%	1,176.09
Exit roads, Apron entry road, land Scaping, Storm water lines, Sewage lines etc.: Civil Work	1,646.52	100.00%	1,646.52
Exit roads, Apron entry road, land Scaping, Storm water lines, Sewage lines etc.: Electrical Work	352.83	100.00%	352.83
U/G water Tank, Pump house, Rainwater storage tanks, Water treatment Plant WTP etc.: Civil Work	1,293.69	100.00%	1,293.69
U/G water Tank, Pump house, Rainwater storage tanks, Water treatment Plant WTP etc.: Electrical Work	352.83	100.00%	352.83
STP-Sewage Treatment Plant: Civil work	588.04	100.00%	588.04
STP-Sewage Treatment Plant: Electrical Work	117.61	100.00%	117.61
Baggage Handling System	4,784.08	100.00%	4,784.08
Passenger Boarding Bridges 05 Nos.	1,266.78	100.00%	1,266.78
Artwork	117.61	100.00%	117.61
Baggage trolley etc.	254.24	100.00%	254.24
XBIS	254.24	100.00%	254.24
Total (A)	47,839.95		44,947.30
New Capital Additions			
Body Scanners	2,500.00	100.00%	2,500.00
XBIS	200.00	100.00%	200.00
Replacement of Airconditioning Chiller Plant	258.5	100.00%	258.5
PA System	100	100.00%	100
Biometric Access Control System	184.87	94.09%	173.95
Provision / Replacement of AHU in old Terminal building at Pune International Airport	258.5	100.00%	258.5
Provision of Gas Based generator sets at Pune International Airport	258.5	100.00%	258.5
Provision of Solar Plant at Pune International Airport	467.03	100.00%	467.03
SITC of FIDS	100	100.00%	100
SCCTV	100	100.00%	100
Strengthening of Power Supply System at Pune International Airport	150	100.00%	150
Replacement of LED lightings of Existing Terminal Building at Pune International Airport	50.00	96.00%	45.00
UPS for Computers (25 Nos.)	1.00	94.09%	0.94
UPS for Computers (30 Nos.)	1.50	94.09%	1.41
Computers (25 Nos.)	20.00	94.09%	18.82
Computers (30 Nos.)	25.50	94.09%	23.99
First Bag Last Bag Project (04 Nos.)	5.63	100.00%	5.63
MS office (25 Nos.)	6.25	94.09%	5.88
MS office (30 Nos.)	8.40	94.09%	7.90
Printers/Scanners (10 Nos.)	2.00	94.09%	1.88
Printers/Scanners (15 Nos.)	3.30	94.09%	3.11
Total (B)	4,700.98		4,681.04
Total (A+B)	52,540.93		49,628.34



REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

4.2.42 After considering the allocation ratio as considered by the Authority and reclassifying the additions, Authority considered the aeronautical additions to RAB for the Third Control Period as below:

Table 88: Aeronautical additions as considered by the Authority for Third Control Period as part of Consultation Paper

(Rs. in Lakhs)						
Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Road, Bridges & Culvers	-	1,646.52	-	-	-	1,646.52
Building-Terminal	-	18,385.65	-	-	-	18,385.63
Building-Others	-	6,281.59	-	-	-	6,281.59
Computer & Peripheral-End User	21.64	-	28.51	-	-	50.15
Computer & Package -Intangible Assets	185.45	-	7.90	-	-	193.35
Plant & Machinery	-	-	100.00	100.00	-	200.00
Tools & Equipment's	-	2,500.00	-	-	-	2,500.00
Electrical Installation	-	13,599.51	303.50	258.50	250.00	14,411.51
Solar System	-	-	-	-	467.03	467.03
Furniture & Fixtures-Trolley	-	254.24	-	-	-	254.24
X Ray Baggage System	-	5,038.31	200.00	-	-	5,238.31
Total	207.09	47,705.80	639.91	358.50	717.03	49,628.34

4.3 Means of Finance

4.3.1 The Authority had noted that AAI has considered 60% of additions being funded through debt and 40% through internal accruals as the means of finance for funding. The same has been explained in detail in Chapter 5 of FRoR.

4.4 Depreciation for the Third Control Period

Depreciation submitted by AAI

4.4.1 AAI computed depreciation based on the rates prescribed by AERA vide Order No. 35/2017-18 dated 12th January 2018, in the matter of determination of useful life of Airports Assets. For the additions to RAB, AAI calculated the depreciation during year of capitalization on 50% of the asset value (assuming that the asset is capitalized in the middle of the financial year). The following table summarizes the useful life considered for additions to RAB:

Table 89: Useful life adopted by AAI as per Order No. 35/2017-18

S. No.	Asset Class	Useful life in years as per Order No. 35/2017-18
1	Runways, Taxiways, Aprons	30
2	Roads, Bridges & culvert	10
3	Terminal/Other Buildings	30
4	Building - Residential	30
5	Security Fencing	10
6	Computer, IT Hardware & Access.	3
7	Computer servers and networks	6
8	Computer Software - intangible assets	5
9	Plant and Machinery	15
10	Tools & Equipment	15



REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Table 91: Total Aeronautical depreciation for Third Control Period considered by the Authority as part of Consultation Paper

(Rs. in Lakhs)						
Depreciation	FY22	FY23	FY24	FY25	FY26	Total
Runways, Taxiways, Aprons	31.52	31.52	31.52	31.52	31.52	157.58
Road, Bridges & Culverts	-	82.33	164.65	164.65	164.65	576.28
Building-Terminal	219.12	525.24	831.37	831.37	831.37	3,238.46
Building-Residential	0.00	0.00	0.00	0.00	-	0.01
Building-Others	26.13	130.72	235.31	235.31	235.31	862.78
Security Fencing - Temporary	0.77	0.77	0.77	-	-	2.31
Computer & Peripheral-End User	19.16	7.81	11.96	13.11	9.50	61.56
Computer & Peripheral-Server and Networks	6.04	6.04	6.04	6.04	1.32	25.50
Computer & Package -Intangible Assets	20.14	38.33	39.01	38.67	38.67	174.81
Plant & Machinery	193.20	191.67	194.87	200.07	203.16	982.97
Tools & Equipment	43.36	126.73	210.11	209.73	209.00	798.92
Other Vehicles	26.40	26.40	26.40	26.40	26.40	131.98
Vehicle- Cars & Jeeps	3.57	3.57	3.57	3.57	0.00	14.26
Electrical Installation	49.74	728.11	1,420.98	1,449.08	1,472.05	5,119.97
Solar System	7.24	7.24	7.24	7.24	22.82	51.78
Other office Equipment	1.14	1.14	1.14	0.42	0.13	3.99
Furniture & Fixtures-Other than Trolley	84.16	66.78	66.78	51.75	50.70	320.17
Furniture & Fixtures-Trolley	1.49	5.73	9.96	9.96	9.96	37.10
X Ray Baggage System	32.10	200.13	368.35	365.69	361.11	1,327.39
CFT & Fire Fighting equipment	0.06	0.06	0.06	0.06	0.06	0.28
Total	765.34	2,180.32	3,630.08	3,644.63	3,667.72	13,888.09

4.5 RAB for the Third Control Period

AAI's submission for RAB of the Third Control Period

- 4.5.1 As per AAI's submission, the net closing RAB of FY 2020-21 has been considered as the opening RAB for FY 2021-22 after accounting for additions and deletions to RAB and depreciation. Considering the above additions to RAB and the depreciation estimate, the RAB for Third Control Period as considered by AAI is shown below:

Table 92: RAB at Pune International Airport during Third Control Period submitted by AAI

(Rs. in Lakhs)							
Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Opening RAB	A	13,039.78	13,519.06	60,811.88	57,203.23	53,274.19	
Add: Additions to RAB	B	1,710.71	50,040.80	652.87	364.17	728.38	53,496.92
Less: Disposals	C	-	-	-	-	-	-
Less: Depreciation	D	1,231.43	2,747.98	4,261.51	4,293.20	4,289.50	*16,823.63
Closing RAB	E=A+B-C-D	13,519.06	60,811.88	57,203.23	53,274.19	49,713.07	
Average RAB	F= Avg (A, E)	13,279.42	37,165.47	59,007.55	55,238.71	51,493.63	

*Difference between depreciation as per above table and the amount given in Table 76 is the Depreciation on Financing allowance added for First Control Period (Rs.41.46 lakhs).



REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Authority's examination of RAB and Depreciation for the Third Control Period as part of Consultation Paper

4.5.2 The Authority had carefully examined the calculation of RAB and AAI's submissions in this regard. Considering the above, the RAB for the Third Control Period as considered by the Authority was as shown below:

Table 93: RAB considered by the Authority for Third Control Period as part of Consultation Paper

(Rs. in Lakhs)							
Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB (Table 39)	A	9,965.04	9,406.79	54,932.28	51,942.10	48,655.97	
Add: Additions to RAB (Table 85)	B	207.09	47,705.80	639.91	358.50	717.03	49,628.34
Less: Disposals	C	-	-	-	-	-	-
Less: Depreciation (Table 91)	D	765.34	2,180.32	3,630.08	3,644.63	3,667.72	13,888.09
Closing RAB	E=A+B-C-D	9,406.79	54,932.28	51,942.10	48,655.97	45,705.28	
Average RAB	F= Avg (A, E)	9,685.91	32,169.53	53,437.19	50,299.04	47,180.62	

4.6 Stakeholders' comments on Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period

4.6.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with respect to the Regulatory Asset Base and Depreciation for the Third Control Period. The comments by the stakeholders are presented below:

AAI's comments regarding Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period

Financing Allowance

4.6.2 AAI's comments regarding Financing Allowance for the Third Control Period are as follows:

"AERA's Contentions

- Reference is invited to para 4.2.18 of the CP which stated as follows: The Authority notes that the Airport Operator has computed financing allowance on the entire WIP amount being capitalized, whereas the Authority is of the view that such an allowance is essentially the IDC for a project and should be provided only on the debt portion of the project funds. Detailed explanation for the same has been presented in para 2.4.10-J. Accordingly, the Authority has considered IDC to be provided based on revisions in the proposed capital expenditure discussed for the Third Control Period.

AAI's Submission

- AAI submits that Direction 05 does not state FA is only for greenfield airports. Irrespective of whether it is brownfield or greenfield airports, there is outlay of funds for significant time when developing new terminals/runways/large project works. Even in CIAL and BLAL, FA has been considered till Second Control Period. In this regard, level playing field may be ensured for AAI and private airports.



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- It is to be noted that AAI has started making capital expenditure for Construction of New integrated Terminal Building at Pune Airport from F.Y. 2018-19 whereas, AERA has mentioned that "Pune International Airport is a brownfield airport and has lower construction and traffic risk". The building will be completed in the F.Y. 2022-23 amounting to Rs. 500 crores (approximately). It includes both Term Loan and Internal accruals.
- We request AERA to refer to the detailed explanations provided in comments to the Second Control Period True up for consideration of FA in Third Control Period also."

Airport Users Consultative Committee (AUCC)

- 4.6.3 AAI's comments regarding Airport Users Consultative Committee (AUCC) Meeting for the Third Control Period are as follows:

"AERA's Contentions

- Reference is invited to para 4.2.19 of the CP which stated as follows: NITB was scheduled to be capitalized in FY 2020-21 (Second Control Period). Accordingly, AAI had conducted a stakeholder meeting regarding NITB on 11.03.2017 and the minutes of the meeting was submitted. The Authority notes that AAI has decided to conduct another AUCC meeting for all assets crossing the threshold limit in Third Control Period, together with an update on the progress of NITB project. The Authority is given to understand that the same was fixed by AAI to be conducted before 31.08.2021 but has not yet been conducted. AAI has submitted that it will share the minutes of the meetings as and when the meeting is conducted."

AAI's Submission

- As per Authority's expectation, the AUCC meeting shall be conducted before the issue of MYTO. As informed by the Pune Airport the AUCC meeting to be conducted within this month. The Minutes of the meeting of AUCC will be provided on receipt of the same from station."

Digi Yatra

- 4.6.4 AAI's comments regarding Digi Yatra during the Third Control Period are as follows:

"AERA's Contentions

- Reference is invited to para 4.2.28 of the CP which stated as follows:

Digi Yatra - E Boarding Biometric Boarding System (BBS):

- AERA supports digital initiatives aimed at operational efficiency and benefit of the users. However, the costs for this project as per the document submitted by AAI contains three elements- Capex, Opex and O&M, where AAI has considered Opex as Capex in capital additions. Upon enquiry, AAI has not provided detailed clarification on the difference in the three categories of spend and the costs that will be capitalized and those that will be part of O&M costs.
- Therefore, the Authority proposed to not consider the cost of this project in the capital expenditure (nor revenue expenditure) for the Third Control Period but proposes that should AAI incur any cost on this project in Third Control period, the same will be true up in the next control period, based on actual incurrence. AAI shall submit the details in this regard at the time of true up of Third Control Period.

AAI's Submission

- All the clarifications on Capex, Opex and O&M have been provided by AAI vide e-mail dated 11.10.2021, whereas AERA has mentioned that the details have not been provided.



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Particulars	(Rs. in Lakhs)			
	FY 23	FY 24	FY 25	FY 25
Capex: Cost of procurement of Hardware, Kiosk, Tablets & E-gates	69.85			
Opex cost of software and network development, helpdesk and hardware installation. It is part of Capex.	71.02			
O&M (Rs. 166.7 Lakhs For 7 years)		238.18	238.18	238.18
Total Capex	1,408.68			

- MoCA launched Digi Yatra Policy in August 2018 aiming at seamless & hassle-free access through designated check points (Entry gate, Self-check-in-kiosks/Check-in counters & Boarding gates) at the Airports using cutting edge Identity management and "Facial Recognitions" technology.
- Ministry of Civil Aviation (MoCA) had published the Digi Yatra policy document covering guidelines for implementation of the Digi Yatra system at Airports, which would ensure paperless and hassle-free journey to all passengers and enhance the security of travel through biometric passenger authentication. Further, DGCA had published the Civil Aviation Requirement (CAR) document mandating the Airports to implement the Digi-Yatra E-Boarding system. AAI had proposed to implement the system in the Third Control Period.
- In this regard, AAI submits that Phase-I Go-Live at Kolkata, Pune and Vijayawada with Indigo and Air India Airlines is planned by June -2022. Whereas Phase – II, for remaining airlines namely SpiceJet, Go First, Air Asia and Air Vistara will be on boarded to Digi Yatra by September 2022. In view of the above, AERA is requested to consider the above amount of Rs. 14.08 crores and O&M expenses from F. Y. 2023-24 onwards."

Allocation ratios

4.6.5 AAI's comments regarding Allocation Ratios for Additions for the Third Control Period are as follows:

"AERA's Contentions

- Reference is invited to para 4.2.38, 4.2.39 and 4.2.40 of the CP which stated as follows: "The Authority has reviewed and reclassified the assets according to the nature of asset after analysing the same. The Authority notes that the Terminal Building area has been increased from 23,560 sqm to 77,455 sqm. AAI has submitted that after commencement of New Terminal Building, the area allocated to concessionaries will increase from 1,509.03 sqm to 4,866.05 sqm which is 6.47% of the total area. The Authority notes that the non-aeronautical component of TBLR is in the range of 5-7%. This is in contrast to the 8-12% that the LATA and IMG norms recommend. Since Pune International Airport attracts a substantial amount of traffic, the Authority encourages AAI to incorporate larger non-aeronautical component at the airport (especially so since a new integrated terminal is being capitalized)."
- Thus, the Authority proposes to consider a TBLR of 90:10 for the Third Control Period. The Authority seeks stakeholders' comments in this regard.

AAI's submission

- The ratios have been computed based on the actual space in the terminals. Hence, AAI submits that assuming a different ratio based on international benchmarks when there is no substantial change in the terminal building composition during Third Control Period may not be justified. AERA has determined the Terminal Building ratio including proposed New Terminal Building as 91.37% in Second Control Period. Now again in Third Control Period, AERA proposes 90% as TBLR for the same Old Terminal Building.



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- *The earmarked area for commercial activities (design) for proposed Terminal Building works out to 8%*
- *It is requested to keep the same TBLR Ratio as approved in the Second Control Period in order to maintain consistency and uniformity.*

One (1%) readjustment to the RAB

- 4.6.6 AAI's comments regarding One (1%) readjustment to the RAB if project is not completed for the Third Control Period is as follows:

AERA's Contentions

- *Reference is invited to para 4.6.1 of the CP which stated as follows: " To reduce (adjustment) 1% of the project cost and the applicable carrying cost in ARR at the time of determination of tariff for the Fourth Control Period in case of non-completion of the project as per the proposed timelines."*

AAI's Submission

- *AAI submits to take on case to case basis as due to pandemic/other genuine reasons beyond the control of AAI, work delay is unpredictable. AAI would always endeavor to ensure that the work is completed in time."*

Depreciation for the Third Control Period

- 4.6.7 AAI's comments regarding depreciation for Additions for the Third Control Period is as follows:

AERA's Contentions

- *Reference is invited to para 4.4.1 of the CP which stated as follows: " AAI has computed depreciation based on the rates prescribed by AERA vide Order No. 35/2017- 18 dated 12th January 2018, in the matter of determination of useful life of Airports Assets. For the additions to RAB, AAI has calculated the depreciation during year of capitalization on 50% of the asset value (assuming that the asset is capitalized in the middle of the financial year)"*

AAI's Submission

- *There is inconsistency by AERA in the method of computation of depreciation for Pune and other Major Airports. In respect of all other AAI airports, Depreciation was computed @ 50% of rates in the first year of capitalisation but it is considered on the basis of date of capitalization.*
- *But in Pune, AERA has proposed to compute depreciation on the date of capitalization of the asset.*
- *AERA is requested to consider a uniform methodology to be followed in this regard for all Airports"*

Other Stakeholders' comments on RAB and Depreciation for the Third Control Period

- 4.6.8 FIA submitted the following regarding Aeronautical Capital Additions approved in the Second Control Period Order but deferred to the Third Control Period:

- *"It is observed that Pune Airport has tendency to exceed the normative cost benchmarks as well as overestimate the capital expenditure and thereafter defer it to the subsequent control period. In this regard, we recommend that an adjustment of 1% or higher of the project cost, as deemed fit, from the ARR in case any particular capital project is not completed/capitalized as per the approved capitalization schedule, which should be applied on the deferred projects of the Second Control Period, other than those affected solely by the adverse impact of COVID-19.*
- *In addition, we would request AERA to ensure that the operator complies with the AUCC consultative meetings and timelines thereof for all assets crossing the requisite threshold limit prescribed by AERA in*



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Third Control Period, including an update on the progress of NITB project. Further, as mentioned under Para 9.9 of the Second Control Period Tariff Order issued by AERA for Pune Airport and further referred under 4.2.9 (C) of the present Consultation Paper, we request AERA to conduct independent study for reasonableness of capital expenditure so that appropriate adjustments are made to capital expenditure/ RAB for Second and Third Control Period."

4.6.9 FIA submitted the following regarding New Aeronautical Capital Additions and Total Aeronautical Capital additions proposed by AERA:

- *"We appreciate that considering the reduced traffic owing to COVID-19, AERA has rationalized the capital expenditure and excluded certain proposed additions by Pune Airport to RAB.*
- *We appreciate that AERA has pointed out the non-consideration of the GST on Baggage handling system and passenger boarding bridge, which will be available as GST credit of Rs. 926.27 lacs. We also note that non allowance of Finance allowance of Rs. 3,333.57. These items themselves have a substantial impact on determination of the ARR and Tariff. at the same time, the Operator may kindly avoid such claims in the future, such that the estimations may be able to reflect the true picture.*

Stoppage of non-safety related capital expenditure:

- *Pune Airport has proposed capex in the respective control period and postponing it to the next control period. Further, AERA acknowledged the effect of the pandemic in the Second Control Period on certain capital expenditure projects. It is pertinent to note that AERA has observed in other consultation papers that a delay in the capitalisation of works would unfairly burden the airport users without passing on the benefits to them. As mentioned above it will take around two (2) -three (3) years for the flight operations to reach to its pre COVID-19 peak levels.*
- *In view of the above, in order to support the airlines to continue and sustain its operations, all non-essential capital expenditure proposed by Pune Airport be put on hold/ deferred, unless deemed critical from a safety or security compliance perspective. Further, in case Pune Airport wants to make capital expenditure, then it should be at no additional expense to the airlines until the project is completed and put to use by the airlines. Similarly, if any proposed Capex projects can be deferred from the Third Control Period to the Fourth Control Period, the same should be considered by AERA."*

4.6.10 FIA submitted the following regarding Terminal Building Ratio and Actual Usage of Terminal Building:

- *"AERA has sought stakeholders' views on the non-aeronautical component of the terminal building ratio (TBLR), as Pune Airport has proposed in the range of 5-7%, whereas AERA stated that this is in contrast to the 8-12% range as per IATA and IMG norms. AERA has proposed to consider a TBLR of 90:10 for the Third Control Period.*
- *In our view, while we agree with AERA that the non-Aeronautical ratio proposed by Pune Airport is on the lower side, we request AERA to kindly undertake detailed scrutiny examination with the assistance of an independent study to be conducted on or before the tariff determination of the Third Control Period.*
- *Furthermore, as per para 4.2.23, it is to be noted that as per submissions by AA1 and considered by AERA, at the end of FY2022- 23 the building will have the holding capacity of 19 MPPA, it further states due to Covid-19 there is fluctuation in the traffic and usage capacity of the building has changed from 47% to 59%. However, the entire cost of building has been capitalized in the Third Control Period. We would request AERA to capitalize only those costs pertaining to NITB being proportional to the usage area of NITB in the Third Control Period."*



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4.7 AAI's response to Stakeholders' comments regarding Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period

4.7.1 With respect to FIA's comment on Aeronautical Capital Additions approved in the Second Control Period Order but deferred to the Third Control Period, AAI responded as follows:

- "Pune Airport has submitted calculation for Normative Cost for all the projects wherever applicable and the same has been validated by the Consultant appointed by AERA. The major project of New Integrated Terminal Building has been shifted from 2nd Control Period to 3rd Control period due to Covid-19 pandemic. Reconciliation of capex of 2nd control period as per Consultation Paper is placed below:

Table 16: Reconciliation of Additions (on total basis) allowed in Second Control Period Order and Actuals incurred at Pune International Airport

(Rs. in Lakhs)

Particulars	Ref	Amount
Additions as per SCP Order	A	40,523.11
Cargo related assets additions considered in SCP order now excluded	B	37.72
Capital Expenditure proposed in SCP but later, based on nature, classified as Repairs & Maintenance cost	C	39.97
Projects whose capitalisation is deferred to Third Control Period	D	38,085.41
Sub Total	E=A-Sum(B:D)	2,368.01
Variance in cost (between additions approved and incurred)	F	-419.85
Sub Total	G=E+F	1,948.16
Cargo assets forming part of Additions for SCP (Refer Note 2 below)	H	74.24
Capital additions incurred in the SCP but not approved in the SCP order (Refer Note 3 below)	I	6,874.08
Total	J=G+H+I	8,886.48
Financing Allowance (including FA for FY21)	K	212.95
Total Additions proposed by AAI in true up of SCP	L=J+K	9,101.43

- AERA has sought various details on the unplanned capital expenditure during MYTP process. AAI submits that these are legitimate spends made after various levels of approval within the organization. Depending on the quantum of spend, the regional/central head-quarters are also involved. AAI submits that after careful consideration and discussion at appropriate levels within the organization, the additional unplanned capex was categorized as "essential".
 - At Pune Airport, the Capex of 2nd Control Period has not been shifted to 3rd Control period other than Proposed Terminal Building which was shifted due to Covid-19 Pandemic.
 - AUCC meeting has been conducted on 31.01.2022 and the same has been attended by various stakeholders. The detailed project investment file for AUCC has also been shared with all the stakeholders. Minutes of the Meeting of the AUCC has been provided to the AERA consultant on 08.02.2022."
- 4.7.2 With respect to FIA's comment on New Aeronautical Capital Additions and Total Aeronautical Capital additions proposed by AERA, AAI responded as follows:
- "GST on PBB & BHS -AAI vide e-mail dated 16.11.2021, informed AERA that AAI will claim input tax credit for PBB & BHS for proposed Terminal Building.
 - Financing Allowance- AAI submitted that its response is detailed in para 2.4.22 be referred.



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- *Stoppage of Non-safety related capital expenditure- The contract awarded to the agency is consolidated contract for NITB. Mobilizing material, Machinery, and labor after a break in construction is not feasible. There may be huge monetary escalations on material and labor costs. The Construction of a Terminal of this magnitude requires Specialized fabrications and skilled manpower. Bringing all the specialized agencies currently on board after a break may lead to coordination issues. There shall be contractual obligations, if the work is halted for more than the specified timelines in the contract.*

As commented by FIA to capitalize only those costs pertaining to NITB being proportional to the usage area of NITB in the Third Control Period. It is submitted that all the functions are integrated at the proposed Terminal Building, so the entire cost to be capitalized in the 3rd Control period.

It is further submitted that AERA, in the Order No. 57/2020-21 for DIAL has analyzed as follows:

4.5.2 Authority has also examined the comments made by IATA, AOC, BAOA and the response to their comments by DIAL regarding the freeze and review of Expansion Capex. In this regard, Authority is in agreement with DIAL and BAOA that the expansion of airport should not be put on hold as the traffic for the airport is expected to reach the pre-COVID levels within the next two years and post the

same is expected to follow the past growth trajectory which would require the presence of the added capacity expansion facilities for efficient and effective handling of traffic. Authority is of the view that the current Covid-19 pandemic which has resulted in a massive drop in traffic could be utilized to expedite the construction activities in the airport.

4.5.3 Authority is of the view that capex projects being long term in nature should not be withheld or suspended due to temporary phenomenon including the pandemic which is expected to not have a consistent long-lasting impact on the traffic in the long-term future. The necessity for capex for Phase 3A could be questioned if there is enough justification that the traffic handled pre-COVID shall never be achieved. However, such a prediction could mean that economic growth will also come to a halt in the future and will never be able to achieve the earlier achieved levels. As such a prediction cannot be justified, Authority considers that the capex schedule for Phase 3A expansion has to be considered with the necessary delays due to Covid-19 as submitted by the airport operator.

Authority would like to add that given the magnitude of the capex that is being undertaken by DIAL, mandating a complete freeze on all capex activities could indeed lead to a much higher escalation in costs associated with delay and could in the end lead to a much higher cost burden being passed on to the passengers. Authority has hence decided to consider the timelines as submitted by DIAL for the capex for Phase 3A expansion which have been assessed post impact of COVID pandemic.

AAI submits that the current dip in traffic is only a temporary phenomenon, and this should not affect the development of infrastructure to cater to anticipated growth for the future. AAI re-iterates that all infrastructure projects should aim at future proofing and should not be hindered by short term situations."

- 4.7.3 With respect to FIA's comment on Terminal Building Ratio and Actual Usage of Terminal Building, AAI responded as follows:
- *"AERA proposed to consider the ratio of 91.37% : 8.63% (Aero : Non-aero) for common assets within the Terminal building during the Second Control Period.*



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- AAI submits that the ratios submitted are based on actual floor space usage and considering the ratio of Second Control Period i.e. 91.37% : 8.63% (Aero : Non-aero) by comparing with other airports/generally accepted ratios may not reflect the true ground scenario in Pune Airport.
- Detailed workings for all the aeronautical ratios applied for various assets was submitted during MYTP stage to AERA for its perusal.
- In Second Control Period order, the ratio of 91.37% for TBLR was based on actuals of 2015-16. Same has submitted on actual basis for the period from 2016-17 to 2020-21.
- The design capacity for commercial activities at the existing Terminal Building comes out to 6% (approx.).
- Considering the fact that true up of the ratio, AAI has submitted the aero ratio working based on actual aero additions for Second Control Period.
- The ratios have been computed based on the actual space in the terminals. Hence, AAI submits that assuming a different ratio based on international benchmarks when there is no substantial change in the terminal building composition during Third Control Period may not be justified. AERA has determined the Terminal Building ratio including proposed New Terminal Building as 91.37% in Second Control Period. Now again in Third Control Period, AERA proposes 90% as TBLR for the same Old Terminal Building.
- The earmarked area for commercial activities (design) for proposed Terminal Building works out to 8%.
- It is requested to keep the same TBLR Ratio as approved in the Second Control Period in order to maintain consistency and uniformity.
- As commented by FIA to capitalize only those costs pertaining to NITB being proportional to the usage area of NITB in the Third Control Period. It is submitted that all the functions are integrated at the proposed Terminal Building, so the entire cost to be capitalized in the 3rd Control period."

4.8 Authority's analysis on Stakeholders' comments regarding Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period

Financing Allowance

- 4.8.1 The Authority has noted AAI's and FIA's comments and AAI's counter comment on financing allowance. In this regard, Paras 2.4.25 to 2.4.30 may be referred.

1% Re-adjustment (reduction)

- 4.8.2 The Authority has taken note of FIA's comment on the re-adjustment (reduction) of 1% of non-capitalized project costs in the Second Control Period. In this regard, the Authority has decided not to make any adjustment as no such provision was made by the Authority in the Second Control Period Order.
- 4.8.3 The Authority has also taken note of AAI's comments regarding the re-adjustment (reduction) of 1% of non-completed project costs in the ARR/target revenue. The Authority is sure that AAI has done due diligence while proposing the capitalization schedule upon which tariffs are determined in the Third Control Period and expects AAI to deliver on this capitalization schedule which has been proposed by them only. Thus, the contention of AAI to not adjust 1% of the project is not justified. Accordingly, the Authority decides to readjust (reduce) 1% of the uncanceled project cost from ARR/target revenue as readjustment as per the tariff order, at the time of true up during tariff determination exercise for the next control period. The Authority further clarifies that in case there is delay in completion of the project beyond the approved timeline given in the tariff order due to any reason beyond the control of AAI or its contracting agencies and is justified, the same would be considered by the Authority while trueing up at the time of tariff determination of the Fourth Control Period.



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Aeronautical Capital Additions approved in the Second Control Period Order but deferred to the Third Control Period

- 4.8.4 The Authority has noted FIA's comment regarding deferring of non-essential capital expenditure to the Fourth Control Period. The Authority observes that the benefit of the stakeholders is considered before accepting any proposals for capital additions by taking into account the essentiality, cost efficiency and requirement of aeronautical services to airport users. The same has been ensured by the Authority for the capital additions at Pune International Airport. Further, capital additions are also deliberated on and agreed to in the Airport Users Consultative Committee (AUCC) meetings.
- 4.8.5 The Authority notes FIA's comment on considering portion of NITB in Third Control Period. The Authority is of the view that the project was proposed in the last year of the Second Control Period and was initiated prior to COVID-19. As noted in the Traffic chapter, the traffic situation is very dynamic with ongoing waves of COVID-19 and traffic projections are difficult to predict accurately. Hence, depending on the traffic and the projections made at the time of Second Control Period, the Authority proposes to consider the entire cost of the Terminal Building as additions in the Third Control Period.

Airport Users Consultative Committee (AUCC)

- 4.8.6 The Authority takes note of FIA's comments on the need the for a more effective AUCC process. The Authority expects AAI to conduct an AUCC meeting as per the Direction No.5 of the AERA Guidelines, 2011 for capital works that are to be capitalized in the Third Control Period as per Consultation Paper 26 /2021-22 dated 30th December 2021.
- 4.8.7 The Authority noted that AAI has submitted the minutes of the meeting vide their email dated 9th February 2022. The Authority notes that the status of the NITB project was submitted and approved by stakeholders at the AUCC meeting.

Independent study on Capital Additions

- 4.8.8 The Authority takes note of FIA's comments to undertake an independent study for capital additions. The Authority through its independent consultants engaged for tariff determination process, has reviewed the capital expenditure reasonableness.

Digi Yatra

- 4.8.9 The Authority takes note of the comment and the request by AAI to consider Digi Yatra as a capital expenditure in the Third Control Period.
- 4.8.10 At the time of the consultation process, the Authority sought information on two elements - Capex and Opex. The details of what scope of work constitutes the Capex and Opex portion and why the Opex portion ought to be considered as RAB was not clearly explained. However, AAI at the time of stakeholders comment explained the details of items considered in Opex as those required to install the capital equipment of Digi Yatra. AAI in its comments also submitted that Digi Yatra will be going live by Phase I in June-2022 for some airlines and Phase II, for remaining airlines in September 2022.
- 4.8.11 The Authority notes that implementation of Digi Yatra will enhance security and ease passenger movement with paperless journey and is of the view that Digi Yatra after completion of phases, will be capitalised by second half of FY 2022-23.
- 4.8.12 Thus, the Authority decides to consider Rs. 1,408 lakhs to be included in RAB in FY 2022-23 and the cost of operations and maintenance (O&M) is considered as R&M expenses under Operating expenditure in Third



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Control Period. Actual costs incurred on this project will be true up based on evaluation, at the time of true up during MYTP evaluation for the Fourth Control Period.

Allocation ratio

- 4.8.13 The Authority has carefully noted AAI's comments regarding terminal building ratio for the Third Control Period. The Authority analysed the components and allocation of capital additions into aeronautical, non-aeronautical and common assets considered by AAI. Pursuant to the analysis, the Authority has noted that the non-aeronautical component is lower considering the size and scale of operations of Pune International Airport and its likely potential for enhanced non-aeronautical revenue, more so after considering the capitalisation of NITB. Accordingly, the Authority decides to consider a ratio of 90: 10 of aeronautical to non-aeronautical allocation as the terminal building ratio, in line with the IMG recommendations and IATA norms, in order to expand non-aeronautical operations at Pune International Airport.
- 4.8.14 The Authority expects AAI to exploit the non-aeronautical space to generate revenues for cross-subsidization which will benefit the airport users who have funded the creation of capital assets and ascertain the reasonableness and efficiency of AAI to increase nonaeronautical revenue components at Pune International Airport at the time of true-up of the Third Control Period.
- 4.8.15 The Authority has also examined the comments of FIA on conducting an independent study on the allocation of assets. In this regard, the Authority believes that the requirement of an independent study on allocation of assets will depend upon the size, scale, complexity, and multiple ownerships of overall assets to ascertain the aeronautical portion. In this context, the Authority would like to emphasize that an independent study was conducted in the recent past to study the allocation of assets for bigger Airports particularly PPP airports. Considering the volume and nature of operations at Pune International Airport, the Authority decided to accomplish this exercise in-house through the consultant appointed for assistance in Tariff determination.

Capital Additions submitted in MYTP by AAI in FY 2020-21, deferred to FY 2021-22

- 4.8.16 The Authority noted that body scanners of Rs. 2,500 lakhs which were submitted in the current MYTP by AAI as additions in FY 2020-21 has been deferred to FY 2022-23 at the time of Consultation Paper stage by the Authority itself (refer para 4.2.29) and considered this cost as part of the Third Control Period capital expenditure.
- 4.8.17 Based on details of actuals submitted by AAI, it was noted that apart from the cost deferred by the Authority from Second Control Period to Third Control Period, assets worth Rs. 190.16 lakhs were not capitalized in FY 2020-21 (Table 27) by AAI due to Covid-19 pandemic. These assets mainly consist of three-seater chairs of Rs. 190.00 lakhs which is primarily for passenger facilitation. The Authority after analyzing AAI's submission on the above capital additions, decides to consider capital additions of Rs. 190.16 lakhs as a shift from FY 2020-21 to FY 2021-22.
- Further, project cost relating to Digi Yatra amounting to Rs. 1,408 lakhs is decided to be considered by the Authority in FY 2022-23 as per explanation stated in paras 4.8.9 to 4.8.12.

- 4.8.18 Based on the above examination and applying the allocation ratios, the Authority decides the aeronautical capital additions in the Third Control Period as per the following table:

Table 94: Aeronautical capital additions for the Third Control Period as decided by the Authority

(Rs. in Lakhs)						
Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Aeronautical Assets considered by the Authority at the Consultation Paper stage (refer Table 88)						
Road, Bridges & Culverts		1,646.52	-	-	-	1,646.52



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Particulars	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Building-Terminal	-	18,385.63	-	-	-	18,385.63
Building-Others	-	6,281.59	-	-	-	6,281.59
Computer & Peripheral-End User	21.64	-	28.51	-	-	50.15
Computer & Package -Intangible Assets	185.45	-	7.90	-	-	193.35
Plant & Machinery	-	-	100.00	100.00	-	200.00
Tools & Equipment's	-	2,500.00	-	-	-	2,500.00
Electrical Installation	-	13,599.51	303.50	258.50	250.00	14,411.51
Solar System	-	-	-	-	467.03	467.03
Furniture & Fixtures-Trolley	-	254.24	-	-	-	254.24
X Ray Baggage System	-	5,038.31	200.00	-	-	5,238.31
Total (A)	207.09	47,705.80	639.91	358.50	717.03	49,628.34
Additions to be included by the Authority after considering assets deferred from FY21 and including Digi Yatra						
Computer & Package -Intangible Assets	-	1,408.68	-	-	-	1,408.68
Plant & Machinery	0.16	-	-	-	-	0.16
Furniture & Fixtures-Other than Trolley	190.00	-	-	-	-	190.00
Total (B)	190.16	1,408.68	-	-	-	1,598.84
Total Aeronautical Assets (A+B)	397.25	49,114.48	639.91	358.50	717.03	51,227.17

Depreciation for the Third Control Period

- 4.8.19 The Authority has noted AAI's comments on depreciation. In this regard, response in paras 2.5.14 to 2.5.19 may be referred.
- 4.8.20 Based on the above changes as stated in para 4.8.17, the depreciation computed by the Authority for the Third Control Period is given in the table below:

Table 95: Total Aeronautical depreciation for Third Control Period as decided by the Authority

Depreciation	(Rs. in Lakhs)					
	FY22	FY23	FY24	FY25	FY26	Total
Runways, Taxiways, Aprons	31.52	31.52	31.52	31.52	31.52	157.58
Road, Bridges & Culverts	-	82.33	164.65	164.65	164.65	576.28
Building-Terminal	219.73	525.85	831.97	831.97	831.97	3,241.49
Building-Residential	0.00	0.00	0.00	0.00	-	0.01
Building-Others	26.22	130.81	235.40	235.40	235.40	863.24
Security Fencing - Temporary	0.77	0.77	0.77	-	-	2.31
Computer & Peripheral-End User	29.58	18.23	19.70	13.11	9.50	90.12
Computer & Peripheral-Server and Networks	6.04	6.04	6.04	6.04	1.32	25.50
Computer & Package -Intangible Assets	20.24	179.29	320.84	320.50	320.49	1,161.36
Plant & Machinery	193.19	191.67	194.87	200.07	203.16	982.96
Tools & Equipment	43.36	126.73	210.11	209.73	209.00	798.92
Other Vehicles	26.40	26.40	26.40	26.40	26.40	131.98
Vehicle- Cars & Jeeps	3.57	3.57	3.57	3.57	0.00	14.26
Electrical Installation	51.78	730.14	1,423.01	1,451.11	1,474.08	5,130.13
Solar System	7.24	7.24	7.24	7.24	22.82	51.78
Other office Equipment	1.14	1.14	1.14	0.42	0.12	3.98
Furniture & Fixtures-Other than Trolley	80.71	76.91	76.91	61.88	60.83	357.25
Furniture & Fixtures-Trolley	1.49	5.73	9.96	9.96	9.96	37.10



REGULATORY ASSET BASE AND DEPRECIATION FOR THE THIRD CONTROL PERIOD

Depreciation	FY22	FY23	FY24	FY25	FY26	Total
X Ray Baggage System	32.19	200.22	368.44	365.78	361.20	1,327.83
CFT & Fire Fighting equipment	0.06	0.06	0.06	0.06	0.06	0.28
Total	775.22	2,344.65	3,932.60	3,939.42	3,962.47	14,954.36

RAB for the Third Control Period

4.8.21 Based on the discussions in the previous sections on the aeronautical capital additions and depreciation, the Authority decides to consider the following RAB for the Third Control Period:

Table 96: RAB for the Third Control Period as decided by the Authority

							(Rs. in Lakhs)
Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	A	9,926.75*	9,548.78	56,318.62	53,025.93	49,445.01	
Add: Additions to RAB (Table 94)	B	397.25	49,114.49	639.91	358.50	717.03	51,227.17
Less: Disposals	C	-	-	-	-	-	-
Less: Depreciation (Table 95)	D	775.22	2,344.65	3,932.60	3,939.42	3,962.47	14,954.36
Closing RAB	E=A+B-C-D	9,548.78	56,318.62	53,025.93	49,445.01	46,199.57	
Average RAB	F= Avg (A, E)	9,737.76	32,933.70	54,672.27	51,238.47	47,822.29	

*Closing RAB for FY 2020-21 (refer Table 40) is taken as opening RAB for FY 2021-22.

4.9 Authority's decisions regarding Capital Expenditure, Regulatory Asset Base and Depreciation for the Third Control Period

Based on the materials before it and its analysis, the Authority has decided the following with respect to Average RAB and depreciation for the Third Control Period

- 4.9.1 To readjust (reduce) 1% of the uncapitalized portion of the project cost from the ARR/target revenue in case any particular capital project is not capitalized as per the capitalization schedule approved in the tariff order as per para 4.8.3 during true up of the Third Control period.
- 4.9.2 To consider terminal building ratio of 90:10 for capital additions pertaining to the Third Control Period.
- 4.9.3 To not allow financing allowance for capital additions in the Third Control Period as per Para 4.2.18.
- 4.9.4 To true up the total aeronautical asset addition given in Table 94 for the Third Control Period.
- 4.9.5 To consider aeronautical depreciation in the Third Control Period as per Table 95.
- 4.9.6 To true up the depreciation of the Third Control Period based on the actual asset additions and the actual date of capitalization during the tariff determination of the Fourth Control Period.
- 4.9.7 To consider the RAB for the Third Control Period as per Table 96.
- 4.9.8 To true up the RAB for the Third Control Period based on actuals, at the time of determination of tariff for the Fourth Control Period.



5. FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

5.1 AAI's submissions relating to Fair Rate of Return for the Third Control Period

5.1.1 AAI has submitted that Pune International Airport would require debt to fund the capital expenditure that have been projected for the Third Control Period. Further, AAI has also submitted that a debt: equity ratio of 60%:40% has been considered for the cost of New Terminal Building and other capital additions. Considering this composition of capital for the Third Control Period, AAI has submitted the projected debt and equity computation as follows.

Debt and Cost of Debt

5.1.2 The cost of debt submitted by AAI for the FRoR calculation of the Third Control Period pertaining to Pune International Airport is 6.21% per annum.

5.1.3 The outstanding debt and cost of debt as submitted by AAI for the Third Control Period of Pune International Airport is summarized in the table below.

Table 97 : Debt computation for Third Control Period submitted by AAI

(Rs in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening Debt	A	1,710.39	2,210.11	26,825.95	21,792.25	20,089.02	72,627.72
Closing Debt	B	2,210.11	26,825.95	21,792.25	20,089.02	18,573.39	89,490.73
Average Debt	C=(A+B)/2	1,960.25	14,518.03	24,309.10	20,940.64	19,331.21	81,059.22
Cost of Debt		6.21%	6.21%	6.21%	6.21%	6.21%	

Equity and Cost of Equity

5.1.4 The cost of equity as submitted by AAI for the Third Control Period is 16.00% per annum.

5.1.5 The equity projections of Pune International Airport for the Third Control Period as submitted by AAI is summarized in the table below

Table 98: Equity computation for Third Control Period submitted by AAI

(Rs in Lakhs)

Particulars	FY22	FY23	FY24	FY25	FY26
Equity	11,156.27	22,492.99	34,552.38	34,160.30	32,032.76
Cost of Equity (%)	16%	16%	16%	16%	16%

Fair Rate of Return

5.1.6 Based on the financing pattern as discussed above, AAI had computed the FRoR for the Third Control Period as summarized in the table below.

Table 99: FRoR for Third Control Period submitted by AAI

(Rs in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Debt	A	1,960.25	14,518.03	24,309.10	20,940.64	19,331.21	81,059.22
Equity	B	11,156.27	22,492.99	34,552.38	34,160.30	32,032.76	1,34,394.70
% of Debt	C=A/(A+B)	14.94%	39.23%	41.30%	38.60%	37.64%	
% of Equity	D=D/(A+B)	85.06%	60.77%	58.70%	62.60%	62.36%	
Cost of Debt (%)	E	6.21%	6.21%	6.21%	6.21%	6.21%	
Cost of Equity (%)	F	16%	16%	16%	16%	16%	
FRoR (%)	G=[(C*E)+(D*F)]	14.54%	12.16%	11.96%	12.28%	12.32%	
Proposed by AAI		14.00%	12.16%	11.96%	12.28%	12.32%	



FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

5.2 Authority's examination relating to Fair Rate of Return for the Third Control Period as part of Consultation Paper

Debt and Cost of Debt

- 5.2.1 The Authority had noted that debt was taken by AAI in FY 2020-21 and the same had been considered by the Authority while true up of Second Control Period Order as discussed in Para 3.6. AAI availed a term loan facility of Rs. 2,100 crores from M/s Axis Bank. AAI further explained that the interest rate on this loan is at 6.21% per annum and that the borrowings for Pune International Airport have been allocated from the borrowings for AAI as a whole.
- 5.2.2 The Authority was of the understanding that parts of the term loan have been availed from FY 2020-21 onwards (in accordance with the capitalization plan).
- 5.2.3 The Authority had also noted that AAI had considered capital expenditure funding based on net block of assets (i.e. Gross Block of assets minus depreciation) where 60% of capital requirement is funded through debt and 40% from internal accruals. The Authority had proposed to consider 60% gross capital expenditure requirement to be funded through debt.
- 5.2.4 In future control periods, like other PPP Airport models, the Authority might consider shifting to notional debt equity ratio for AAI Airports also. The Authority had invited stakeholders' comments in this regard.
- 5.2.5 The Authority had recalculated the debt computation considering the total fund requirement as per the capitalization for the Third Control Period, and the change in repayment structure as discussed above. The debt computation is summarized as follows:

Table 100: Debt computation considered for Third Control Period by the Authority

(Rs in Lakhs)							
Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening Debt	A	4,806.05	16,027.96	24,997.88	21,901.83	18,667.86	
Drawdowns (Additional Loan Taken)	B	11,221.91	8,969.92	383.22	285.00	285.00	21,145.05
Repayment	C	-	-	(3,479.27)	(3,518.97)	(3,583.98)	(10,582.22)
Closing Debt	D=A+B-C	16,027.96	24,997.88	21,901.83	18,667.86	15,368.88	
Average Debt	E=(A+D)/2	10,417.01	20,512.92	23,449.85	20,284.84	17,018.37	
Cost of Debt		6.21%	6.21%	6.21%	6.21%	6.21%	

Equity and Cost of Equity

- 5.2.6 As noted above in para 5.2.3, AAI had computed the Equity portion based on net block of assets. As explained earlier by the Authority in para 2.7.8, equity for Third Control Period had been considered by adding aeronautical profit or losses for the respective years in Third Control Period to the closing equity of FY 2020-21.
- 5.2.7 The Authority had analyzed the cost of equity pertaining to Pune International Airport as submitted by AAI for the Third Control Period. The Authority had acknowledged the debt taken by AAI for Pune International Airport in the Third Control Period and its impact on FRoR. However, the Authority was of the opinion that the gearing ratio is still suboptimal and does not justify a cost of equity of 16.00% per annum as submitted by AAI. The Authority had drawn reference to the independent studies conducted in the tariff determination exercise for DIAL (Refer to Order No. 57/2020-21), MIAL (Refer to Order No.64/2020-21), HIAL (Refer Order No.12/2020-21), BIAL (Refer Order No.11/2020-21) and CIAL (Refer Order



FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

No.08/2020-21). The independent study considers an optimal gearing ratio of 48%:52% and determined a cost of equity in the range of 15.00% to 15.50%. Given that the debt-equity ratio for Pune International Airport ranges between 20% to 37% in the Third Control Period, the Authority had proposed to maintain a cost of equity of 14.00% across the Third Control Period.

- 5.2.8 Considering the changes in the capitalization plan for the Third Control Period and the cost of equity, the Authority had recalculated the equity computation of Pune International Airport as discussed in para 2.7.8. The same has been summarized in the table below.

Table 101: Equity computation proposed to be considered for Third Control Period by the Authority

(Rs in Lakhs)					
Particulars	FY22	FY23	FY24	FY25	FY26
Equity	35,188.11	41,375.60	45,111.56	48,704.03	52,720.04
Cost of Equity (%)	14%	14%	14%	14%	14%

Fair Rate of Return

- 5.2.9 The FRoR as recalculated by the Authority after considering the analysis discussed above was as summarized in the table below:

Table 102: FRoR proposed to be considered for Third Control Period by the Authority as part of Consultation Paper

(Rs in Lakhs)						
Particulars	Ref	FY22	FY23	FY24	FY25	FY26
Debt	A	16,027.96	24,997.88	21,901.83	18,667.86	15,368.88
Equity	B	35,188.11	41,375.60	45,111.56	48,704.03	52,720.04
Debt + Equity	C=A+B	51,216.07	66,373.48	67,013.39	67,371.89	68,088.92
Cost of Debt	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity	E	14.00%	14.00%	14.00%	14.00%	14.00%
Individual Year Gearing	F	31.29%	37.66%	32.68%	27.71%	22.57%
Weighted Average Gearing	G	30.38%				
Cost of debt	H	6.21%				
Cost of Equity	I	14.00%				
FRoR proposed by the Authority	J=G*H+(1-G)*I	11.63%				

5.3 Stakeholders' comments on Fair Rate of Return for Third Control Period

- 5.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with respect to the Fair of Return (FRoR) for the Third Control Period. The comments by the stakeholders are presented below:

AAI's comments on Fair of Return (FRoR) for the Third Control Period

- 5.3.2 AAI commented as follows on the FRoR for the Third Control Period:



FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

***AERA's Contentions**

- Reference is invited to para 5.2 of the CP which stated as follows:
Debt and Cost of Debt: The Authority notes that debt was taken by AAI in FY 2020-21 and the same has been considered by the Authority while true up of Second Control Period Order as discussed in Para 3.6. AAI availed a term loan facility of Rs. 2,100 crores from M/s Axis Bank. AAI further explained that the interest rate on this loan is at 6.21% per annum and that the borrowings for Pune International Airport have been allocated from the borrowings for AAI as a whole.

The Authority is of the understanding that parts of the term loan have been availed from FY 2020-21 onwards (in accordance with the capitalization plan).

The Authority also notes that AAI has considered capital expenditure funding based on net block of assets (i.e. Gross Block of assets minus depreciation) where 60% of capital requirement is funded through debt and 40% from internal accruals. The Authority proposes to consider 60% gross capital expenditure requirement to be funded through debt.

In future control periods, like other PPP Airport models, the Authority may consider shifting to notional debt equity ratio for AAI Airports also. The Authority invites stakeholders' comments in this regard.

Equity and Cost of Equity: As noted above in para 5.2.3, AAI has computed the Equity portion based on net block of assets requirement. As explained earlier by the Authority in para 2.7.8, equity for Third Control Period has been considered by adding aeronautical profit or losses for the respective years in Third Control Period to the closing equity of FY 2020-21.

The Authority has analysed the cost of equity pertaining to Pune International Airport as submitted by AAI for the Third Control Period. The Authority acknowledges the debt taken by AAI for Pune International Airport in the Third Control Period and its impact on FRR. However, the Authority is of the opinion that the gearing ratio is still suboptimal and does not justify a cost of equity of 16.00% per annum as submitted by AAI. The Authority has drawn reference to the independent studies conducted in the tariff determination exercise for DIAL (Refer to Order No. 57/2020-21), MIAL (Refer to Order No.64/2020-21), HIAL (Refer Order No.12/2020-21), BIAL (Refer Order No.11/2020-21) and CIAL (Refer Order No.08/2020-21). The independent study considers an optimal gearing ratio of 48%:52% and determined a cost of equity in the range of 15.00% to 15.50%. Given that the debt-equity ratio for Pune International Airport ranges between 20% to 37% in the Third Control Period, the Authority proposes to maintain a cost of equity of 14.00% across the Third Control Period.

- Based on the materials before it and its analysis, the Authority proposes the following with respect to FRR for the Third Control Period:
To consider the cost of equity at 14.00% as per Table 83
To consider the cost of debt at 6.21% as per Table 82
To consider FRR of 11.63% for the Third Control Period as per Table 84.
To true up the actual cost of debt and FRR during the tariff determination exercise for the Fourth Control Period



FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

AAI's Submission

- AAI had appointed M/s KPMG to carry out a study on Cost of Equity during 2011 the results of which are given below:

Table 3: Beta of comparable airports

Airport / Group	Country	Equity Beta	Tax Rate	Debt (in Billion local currency)	Mkt Cap (in Billion local currency)	Debt /Meap	Asset Beta
Airports of Thailand PCL	Thailand	1.14	30%	56.2	54.3	1.03	0.66
Beijing Capital International Airport	China	1.03	25%	18.5	14.8	1.25	0.53
Guangzhou Balyun International Airport	China	0.91	25%	0.0	8.3	0.00	0.91
Shanghai International Airport	China	1.04	25%	2.5	22.0	0.11	0.96
Xiamen International Airport	China	0.95	25%	0.0	4.1	0.00	0.95
Grupo Aeroportuario del Sureste SAB de CV (Group of 9 airports in Mexico)	Mexico	0.94	30%	0.6	21.0	0.03	0.92
Grupo Aeroportuario del Pacifico SAB de CV	Mexico	0.84	30%	1.0	27.2	0.04	0.82
Grupo Aeroportuario Centro Norte, S.A. de C.V.	Mexico	0.99	30%	1.0	9.2	0.10	0.92

The median value of asset beta for the above comparable set is 0.92 which is being used as the asset beta for airport operations business of AAI. This needs to be re-levered as per the expected gearing of AAI in the control period to estimate the equity beta for AAI.

Table 4: Equity Beta for AAI

Estimated asset beta for AAI	0.92
Gearing for AAI	8.84%
Tax rate for AAI	32.45%
Equity beta for AAI	0.98

Equity beta for AAI works out to 0.98.

For full Report, please refer Consultation Paper No. 16/2012-13.

Based on the above report, AAI submitted during Second Control Period consultation that the CoE was 16%. AERA in the Second Control Period order had also considered CoE of 16% and since there was low debt, the FRoR was determined to be 14%. AAI submits that the debt was taken only during the end of FY 21 and hence, requests AERA to consider FRoR of 14% for Second Control Period.

- Cost of Equity depends on ownership structure, Comparable Airports & Revenue Till
- Asset Beta plays an important role in determination of Equity Beta even if Debt/Equity Ratio is low (low gearing). Cost of Equity depends on both Asset Beta and Equity Beta.
- In 1st Control Period, AAI had submitted a study conducted by M/s KPMG in regards to calculation of Cost of Equity wherein, Estimated Asset Beta was 0.92 and The Equity estimation can also yield a range of values depending on the assumptions employed.
- Corresponding Equity Beta works out to 0.98. The cost of Equity submitted by AAI works out to 16.82%



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- *If AERA considers the debt equity ratio as 48:52 as ideal ratio and provides Asset Beta @ 0.92 then the FRoR will increase to more than 16%.*
- *In MIAL, DIAL, HIAL and CIAL the Cost of Equity has been considered @ 15+%. Thus AERA is requested to consider the Cost of Equity @ 16% as submitted by AAI.*
- *It is also requested to consider the FRoR as submitted by AAI instead of an Average FRoR @ 11.63% for Third Control Period."*

Other Stakeholders' comments on Fair rate of return for the Third Control Period

5.3.3 FIA's comment on FRoR as follows:

- *"We appreciate that AERA has considered a lower FRoR of 11.63 %, which is net of income tax return to the airport operator, for the Third Control Period. However, while such fixed/ assured return favours the service provider, it creates an imbalance against the airlines, which are already suffering from huge losses and bear the adverse financial impact through higher tariffs.*
- *Due to such fixed/assured returns, Airport Operators like Pune Airport have no incentive to look for productivity improvement or ways of increasing efficiencies, take steps to reduce costs as they are fully covered for all costs plus their hefty returns.*
- *Such a scenario breeds inefficiencies and higher costs, which are ultimately borne by airlines. In the present scenario any assured return on investment to any services providers like Pune Airport, in excess of three (3) % (including those on past orders), i.e., being at par with bank fixed deposits (i.e., return on investment after the income tax), will be onerous for the airlines.*
- *Without prejudice to the above, in case AERA is unable to accept our recommendation mentioned above, it is requested to conduct an independent study for determination of FRoR to be provided to Pune Airport. Such independent study can be exercised by the powers conferred under the AERA Act and in line with studies being conducted by AERA in case of certain major airport operators."*

5.4 AAI's response to Stakeholders' comments regarding Fair Rate of Return for the Third Control Period

5.4.1 With respect to FIA's comments on FRoR for the Third Control Period, AAI submitted that its response detailed in para 5.3.2 be referred.

5.5 Authority's analysis on Stakeholders' comments regarding Fair Rate of Return for the Third Control Period

5.5.1 The Authority notes AAI's comment regarding the FRoR proposed in the Third Control Period for Pune International Airport. The Authority notes that the cost of equity of 16% proposed by AAI for Pune International Airport is on the higher side when compared to other major airports. The Authority has analysed the working and the report annexed in AAI's comments for the same.

5.5.2 The Authority is of the view that the risk-free rate considered in the computation of the cost of equity is not aligned with the prevailing risk-free rates in the market.

5.5.3 It may be noted that the debt-equity ratio considered by the Authority and AAI is on an actual basis i.e. 30.38%:69.62% as mentioned in Table 102 of the Order. Further, it may be noted that for major PPP airports a notional debt-equity ratio (of 48%:52%) is considered. Thus, it may be noted that due to low leverage in funding of new capital additions at AAI airports, it may not be appropriate to consider a cost of equity as considered for



FAIR RATE OF RETURN FOR THE THIRD CONTROL PERIOD

PPP airports. The proposition of considering a notional debt-equity ratio was presented to AAI during the stakeholders' consultation meeting dated 14th January 2022. The Authority notes that there has been no comment from AAI regarding the same. Accordingly, the Authority is of the view that the actual debt-equity ratio of AAI does not justify the cost of equity of 16%. Therefore, the Authority decides to consider a cost of equity of 14% as specified in Para 5.2.7 of Order. Going forward, the Authority may also consider computation of FRoR for AAI airports in line with that adopted for PPP airports.

5.5.4 The Authority notes FIA's comment and AAI's counter comment on limiting the return on investment to 3%. With respect to FIA's suggestions to cap the FRoR in order to avoid burdening the stressed airlines, the Authority is of the view that an airport is a long-term asset while the pandemic is a short-term phenomenon that is not likely to have a long-term impact. Further, the Authority states that in such long-term projects, investors focus on a stable return on equity rather than on the project life cycle. Therefore, the Authority finds that it is not pragmatic or fair to cap the FRoR.

5.5.5 Based on the cost of equity and cost of debt mentioned in the Authority's examination in the Consultation Paper and the changes in RAB decided by the Authority, the Authority decides to consider the following FRoR for the Third Control Period:

Table 103: FRoR for the Third Control Period decided by the Authority

(Rs in Lakhs)						
Particulars	Ref	FY22	FY23	FY24	FY25	FY26
Debt	A	16,027.96	24,997.88	21,901.83	18,667.86	15,368.88
Equity	B	35,333.32	42,929.40	46,665.46	50,257.92	54,273.93
Debt + Equity	C=A+B	51,361.28	67,927.27	68,567.28	68,925.78	69,642.81
Cost of Debt	D	6.21%	6.21%	6.21%	6.21%	6.21%
Cost of Equity	E	14.00%	14.00%	14.00%	14.00%	14.00%
Individual Year Gearing	F	31.21%	36.80%	31.94%	27.08%	22.07%
Weighted Average Gearing	G	29.82%				
Cost of debt	H	6.21%				
Cost of Equity	I	14.00%				
FRoR proposed by the Authority	J=G*H+(I-G)*I	11.68%				

5.6 Authority's decisions regarding to Fair Rate of Return for the Third Control Period

Based on the materials before it and its analysis, the Authority has decided the following with respect to FRoR for the Third Control Period

- 5.6.1 To consider the cost of equity at 14.00% as per Table 101
- 5.6.2 To consider the cost of debt at 6.21% as per Table 100
- 5.6.3 To consider FRoR of 11.68% for the Third Control Period as per Table 103.
- 5.6.4 To true up the actual cost of debt and the resultant FRoR during the tariff determination exercise for the Fourth Control Period.



OPERATING & MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

6. OPERATING & MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

6.1 AAI's submission on Operating and Maintenance Expenses for the Third Control Period

6.1.1 Operation and Maintenance expenditure submitted by AAI is segregated into the following:

- Payroll Expenditure
- Administrative and General Expenses
- Repairs and Maintenance Expenses
- Utility and outsourcing Expenses and
- Other Outflows (UDF collection charges)

6.1.2 AAI also submitted expenses related to CHQ/RHQ apportionment under payroll expenses and general and administrative expenses, were done on the basis of revenue of AAI airports.

6.1.3 AAI projected operating and maintenance expenditure at Pune International Airport by applying a growth percentage over the estimated expenses of FY 2020-21. The basis of growth adopted in the assumptions has been explained below.

Table 104: AAI's assumption for projection of aeronautical operating and maintenance expenses for the Third Control Period

Operating Expense	Basis for AAI's projections for the Third Control Period
Payroll expenditure	All components of payroll expenditure are projected at a growth rate of 5% over the previous year figures. However, due to commissioning of NITB and consequently a 15% increase in employee numbers, growth rate of 15% has been applied on FY 23 to arrive at FY 24 figures. A growth rate of 5% over previous year figures have been used for FY 25 and FY 26.
Administrative & General Expenses	All administrative and general expenses other than legal charges and upkeep expenses are projected at a growth rate of 10% over the previous year figures. Legal charges are projected at a growth rate of 5% over the previous year figures. Upkeep expense is projected on the basis of MESS contract. FY 22 figures are shown at 20% growth rate over FY21. FY23, FY25 and FY26 are projected at a growth rate of 10% over FY22, FY24 and FY25 respectively. FY 24 figures are projected at a growth rate of 255% over FY 23 due to commissioning of NITB.
Repair & Maintenance Expenses	AAI has projected a growth rate of 10% over the previous year figures for all heads of repairs & maintenance.
Electricity charges	AAI has projected FY 22 and FY 23 AAI electricity charges to remain at the same levels as FY 21. An increase of 342% over FY 23 figures is projected for FY 24 due to commissioning of NITB and it is estimated that the amount will remain at the same level for FY 25 and FY 26.
Water Charges	For water charges, AAI has projected a growth of 4% over previous year figures for FY 23. For FY 24, FY 25 and FY 26, a growth rate of 3% over previous year figures has been projected.
Other Utilities and Outsourcing Expenses	For other utility and outsourcing expenses AAI has projected growth rate of 10% over previous year figures.
UDF Collection Charges	UDF collection charges are based on passenger traffic.

6.1.4 The following table summarizes the allocation of expenses between aeronautical and non-aeronautical services in O&M expenses as submitted by AAI in the Third Control Period:



OPERATING & MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

Table 105: Allocation of expenses for the Third Control Period as submitted by AAI

Particulars	Basis	Aero %
Payroll expenditure and provisions/Travelling	Employee Ratio (Aero: Non-Aero)	96.67%
Office/Miscellaneous expenses/Telephone expenses and other stationaries	Employee Ratio (Aero: Non-Aero: ANS)	96.60%
Upkeep expenses/R&M-Civil/Electrical Works	Terminal Building Ratio	90.46%
Power charges	Electricity Consumption Ratio	99.78%
Water charges/Hire charges/Repairs & Maintenance- Electronics & IT/ Consultancy/Other professional fees/Legal expenses/Insurance costs/Consumption of petrol and lubricants/R&M Vehicles	-	100%
Collection Charges UDF	-	100%

6.1.5 Based on the above assumptions, AAI submitted the following aeronautical operating and maintenance expenses for the Third Control Period:

Table 106: AAI's submission of aeronautical operating and maintenance expenditure for the Third Control Period

(Rs. in Lakhs)

Particulars	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Payroll expenditure	A	3,009.60	3,160.00	4,057.67	4,260.55	4,473.58	18,961.39
Apportionment of CHQ/RHQ expenses	B	478.34	502.26	527.37	553.74	581.42	2,643.13
Total Payroll Expenditure	C=A+B	3,487.94	3,662.26	4,585.04	4,814.29	5,055.00	21,604.52
Administrative & general expenditure	D	449.72	494.34	1451.32	1596.06	1755.26	5,746.70
Apportionment of administrative & general expenses to CHQ/RHQ	E	5,045.21	5,297.47	5,562.34	5,840.46	6,132.48	27,877.94
Total Administrative & General Expenses	F=D+E	5,494.92	5,791.80	7,013.65	7,436.52	7,887.74	33,624.64
Repairs & Maintenance Expenses	G	780.04	1011.64	2053.41	2389.79	2585.83	8,820.71
Power charges	H	608.78	608.78	2080.02	2080.02	2080.02	7,457.62
Water charges	I	28.13	29.13	30.13	31.13	32.13	160.65
Hire charges	J	234.06	257.46	321.83	354.01	389.41	1,556.77
Other utilities	K	22.84	25.13	27.64	30.40	33.44	139.46
Total Utility & Outsourcing Expenses	L=H+I+J+K	893.81	920.50	2459.62	2495.57	2535.01	9,304.50
Other Outflows	M	91.34	119.08	149.39	172.57	194.19	726.58
Total Aeronautical Operating Expenses	N=C+F+G+L+M	10,748.06	11,505.28	16,261.10	17,308.73	18,257.78	74,080.95



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6.2 Authority's examination of Operating and Maintenance expenses in the Third Control Period as part of Consultation Paper

6.2.1 The Authority had reviewed the submission made by AAI and noted that AAI has projected Operating Expenses at Pune International Airport by applying a growth rate over expenses of FY 2020-21, which in itself is an estimated expense. The Authority proposed to consider Operating expenses of FY 2019-20 (pre covid level) as the base year for its projections of Operating Expenses for the Third Control Period.

Payroll Costs

6.2.2 The Authority had noted that AAI has submitted a growth rate of 5% for aeronautical payroll expenses for all years except FY 2023-24 for which growth rate of 15% is considered on account of increase in employee numbers in FY 2023-24 due to of commissioning of NITB. The Authority observed that 5-year CAGR of payroll expenses of Pune International Airport (FY 2015-16 – FY 2019-20) was 3%. The Authority had noted that pay revision order dated 22.02.2019 states that the rate of annual increment and promotional increment will be 3% of revised basic pay. Thereby, the Authority had proposed to adopt 3% as the rate of increase for Payroll expenses.

6.2.3 The Authority had further noted that AAI considered increase in number of employees in FY2022-23 but cost for these additional employees has been taken from FY 2023-24. Allocation ratios of FY2019-20 has been considered as the basis for projection of aeronautical payroll expenses for the Third Control Period. The Authority had proposed to maintain the costs considered by AAI i.e., consider increase in payroll costs from FY 2023-24 as the full commercial operations is expected to commence in FY 2023-24. Further, the Authority had proposed to consider 10% increase in the employee count instead of 15% as proposed by AAI. This will be subject to true up in the next control period.

6.2.4 Based on this analysis, the Authority had proposed to rework total payroll expenditure for Third Control Period and to apply the revised allocation ratios along with a growth rate of 3% for FY 2021-22 & FY 2022-23 based on FY 2019-20. For FY 2023-24 payroll cost had been increased at 10% to account for increase in the number of employees (as shown below) at the time of commissioning of NITB as explained in Para 6.2.3 along with a growth rate of 3%. For FY 2024-25 and FY 2025-26, a growth rate of 3% over the previous year figures was applied to arrive at the aeronautical payroll expenditure for the Third Control Period.

Table 107: Proposed Number of employees during Third Control Period

Particulars	FY 22	FY 23	FY 24	FY 25	FY 26
No. of Employees	158	158	174	174	174

General and Administrative Expenses

6.2.5 The Authority had noted that AAI based its projection for general and administrative expenses other than upkeep expenses and legal expenses on a growth rate of 10% over the previous year figures. The Authority had proposed to use a growth rate of 4.9% (benchmarked to inflation as proposed by the Authority for the Third Control Period) for all components of general and administrative expenses other than upkeep expenses.

6.2.6 The Authority had noted that AAI has projected upkeep expense of Rs.1316.30 lakhs for FY 2023-24 (225% growth over FY 2022-23 figures) due to commissioning of NITB. The Authority noted that increase in aeronautical area due to commissioning of NITB with reference to the existing terminal building is 219%. Hence, the Authority had proposed a growth rate of 219% for upkeep expenses in FY 2023-24 as opposed to the growth rate proposed by AAI along with inflation of 4.9% from FY 2021-22 and thereafter.



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CHQ/RHQ Admin Expenses

- 6.2.7 The Authority had reviewed the basis for allocation of CHQ and RHQ expenses to Pune International Airport for the Third Control Period. Based on the methodology explained under para 2.8.13 to 2.8.24 above (on true up of expenses for the Second Control Period), the Authority derived the allocable expenses of CHQ and RHQ to Pune International Airport for the Third Control Period, by escalating the spend for each tariff year by 5% based on the CHQ/ RHQ expenses allocated for the FY 2020-21.
- 6.2.8 The Authority had also proposed to true up CHQ/RHQ expenses subject to the maximum ceiling of 10% increase while determining tariff for the next control period.

Utility Expenses

- 6.2.9 The Authority had noted that AAI has projected power charges of Rs. 2080.02 lakhs for FY 2023-24 (242% growth over FY 2022-23 figures). The Authority also noted that increase in aeronautical area due to commissioning of NITB in relation to the existing terminal building is 219%. Hence, the Authority proposed a growth rate of 219% for power charges in FY 2023- 24 as opposed to the growth rate proposed by AAI along with inflation of 4.9% from FY 2021-22 and thereafter.
- 6.2.10 The Authority had noted that AAI has projected increase in water charges at a growth rate of 3 to 3.5% over the previous year, The Authority considered the same to be reasonable.

CSR Expenses

- 6.2.11 The Authority had noted that CSR Cost had not been included as part of Aeronautical operational expenditure in AAI submission in Second Control Period true up and projections in the Third Control Period. The Authority proposed to estimate CSR expenses as 2% of the average of the previous three years' PBT.

R&M Expenses

- 6.2.12 The Authority had noted that along with increase in 10% growth, AAI has considered AMC charges for New Terminal Building which is being charged from FY 2022-23 to FY 2025-26. The Authority was of the view that as most of the assets will be newly constructed/ installed during the control period and will also be covered under warranty clauses, the same may need only minimum repairs and maintenance. Therefore, the Authority had proposed to consider the same stand as taken at the time of true up of Second Control Period for Repair & Maintenance expenses to be maximum around 6% of the RAB (opening net block of the Third Control Period) till FY 2022-23. The Authority noted that AAI has estimated R&M on Newly capitalized facility also from FY 2023-24. The Authority noted that Civil-R&M costs are not likely to be incurred for new terminal Building for at least 1-2 years after commissioning. Thus, the Authority had proposed to not consider AMC of Civil works. For other regular repairs and maintenance works Authority had proposed to consider an inflation of 4.9% instead of 10% as estimated by AAI from FY 2023-24 onwards.
- 6.2.13 The Authority had also noted that AAI had considered AMC of Capital addition of Digi Yatra from FY 2023-24 to FY 2025-26 amounting to Rs. 714.55 lakhs. The Authority was of the view that the capital addition of Digi Yatra had not been considered in RAB for Third Control Period which will be true up on incurrence basis in the next control period. Accordingly, the AMC cost for the same was proposed to be considered on incurrence basis in the next control period.

Working Capital Interest & Interest on Term Loan

- 6.2.14 AAI included claim for Working Capital Interest & Interest on term loan as a separate line item in the computation of ARR. The Authority had noted that AAI had availed a short-term working capital facility of Rs. 1,500 crores and had also availed term loan of Rs. 2,100 crores in FY 2020-21 for all AAI Airports.



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- 6.2.15 The Authority had noted that AAI computed working capital interest based on the forecasted recovery of revenue and payment of expenses and has considered the entire expense as aeronautical. As per the calculation by AAI, the requirement for working capital will arise in the year of FY 2021-22.
- 6.2.16 The Authority had reviewed the computation of interest on working capital loan. The Authority reworked the cash flows based on the revised operating expenses, traffic, non-aeronautical and aeronautical revenues. As per this revised computation, there appeared to be no material deficit between the spends and receipts and hence, there was no requirement to avail the WC facility for Pune International Airport. In case of need for Working Capital facility arising in the Third Control Period, the same was proposed to be reviewed and tried up at the time of tariff determination for the Fourth Control Period.
- 6.2.17 The Authority had proposed to not consider interest on term loans as O&M expenses. This was because the term loan had already been factored in the computation of FRoR, hence this amount was not being considered for reimbursement once again.

UDF Collection Charges

- 6.2.18 For collection charges on UDF under other outflows, AAI considered the growth rate to be the same as that of passenger traffic. The Authority had proposed to use the same approach, considering the same to be a reasonable driver.
- 6.2.19 The Authority had noted that AAI adopted the allocation ratios as adopted in FY 2019-20 for estimating operating and maintenance expenses for the Third Control Period. The Authority had recalculated the employee numbers and TBLR and reworked the allocation ratios as follows:

Table 108: Comparison of allocation ratios as adopted by AAI and as considered by the Authority for the Third Control Period.

S. No.	Particulars	As considered by AAI	As proposed by the Authority				
			FY 22	FY 23	FY 24	FY 25	FY 26
1	Employee Ratio (Aero: Non-Aero: ANS)	96.60%	94.09%	94.09%	94.09%	94.09%	94.09%
2	Employee Ratio (Aero: Non-Aero)	96.73%	94.31%	94.31%	94.31%	94.31%	94.31%
3	Employee Ratio (Aero: ANS)	96.67%	96.67%	96.67%	96.67%	96.67%	96.67%
4	TBLR Ratio	93.55%	91.37%	91.37%	90.00%	90.00%	90.00%
5	Electricity Consumption Ratio	99.78%	99.78%	99.78%	99.78%	99.78%	99.78%

- 6.2.20 Considering the changes above, the Authority had recalculated the aeronautical operating and maintenance expenditure for Third Control Period as follows:

Table 109: Aeronautical operating and maintenance expenses considered by the Authority for the Third Control Period as part of Consultation Paper

(Rs. in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Payroll Expenditure	A	2,810.06	2,894.36	3,659.59	3,769.38	3,882.46	17,015.86
Apportionment of CHQ/RHQ expenses	B	435.58	448.64	462.10	475.97	490.25	2,312.53
Total Payroll Expenditure	C=A+B	3,245.64	3,343.01	4,121.70	4,245.35	4,372.71	19,328.40



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Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Administrative & General Expenditure	D	483.06	452.94	821.08	900.47	950.30	3,607.85
Apportionment of administrative & general expenses to CHQ/RHQ	E	3,136.03	3,292.83	3,457.47	3,630.35	3,811.86	17,328.54
Total Administrative & General Expenses	F=D+E	3,619.09	3,745.77	4,278.55	4,530.82	4,762.16	20,936.39
Repairs & Maintenance Expenses	G	597.90	564.41	1,356.26	1,434.32	1,514.36	5,467.25
Power charges	H	638.61	669.90	1,538.97	1,614.38	1,693.49	6,155.35
Water charges	I	28.13	29.13	30.13	31.13	32.13	150.65
Hire charges	J	202.86	212.80	245.55	257.58	270.20	1,188.99
Other utilities	K	18.79	19.71	20.67	21.69	22.75	103.60
Total Utility & Outsourcing Expenses	L=H+I+J+K	888.39	931.54	1,835.33	1,924.78	2,018.57	7,598.60
Other Outflows	M	116.33	172.47	200.51	227.80	255.09	972.21
Total Aeronautical Operating Expenses	N=C+F+G+L+M	8,467.35	8,757.19	11,792.35	12,363.06	12,922.89	54,302.84

6.2.21 The Authority expected that AAI should bring more efficiency in its working to optimize the O&M expenses during the control Period.

6.3 Stakeholders' comments on Operating and Maintenance Expenses for Third Control Period

6.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with respect to the Operating Expenses for the Third Control Period. The comments by the stakeholders are presented below:

AAI's comments on Operating and Maintenance Expenses for the Third Control Period

6.3.2 AAI's comments on Pay roll cost for the Third Control Period is as follows:

"AERA's Contentions

- Reference is invited to para 6.2.2, 6.2.3 and 6.2.4 of the CP which stated as follows: The Authority proposes to adopt 3% as the rate of increase for Payroll expenses. The Authority proposes to consider 10% increase in the employee count instead of 15% as proposed by AAI. This will be subject to true up in the next control period. Based on this analysis, the Authority proposes to rework total payroll expenditure for Third Control Period and to apply the revised allocation ratios along with a growth rate of 3% for FY 2021-22 & FY 2022-23 based on FY 2019-20.

For FY 2023-24 payroll cost has been increased at 10% to account for increase in the number of employees (as shown below) at the time of commissioning of NITB as explained in Para 6.2.3 along with a growth rate of 3%. For FY 2024-25 and FY 2025-26, a growth rate of 3% over the previous year figures is applied to arrive at the aeronautical payroll expenditure for the Third Control Period."



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AAI's Submission

- 7% is the average increase in the payroll due to annual increment of 3% in salary, increase in HRA, and quarterly increase in DA and Employer contribution to PF. The figures for the F.Y. 2020-21 are actual as submitted by on 24.12.2021.
- The following illustration clearly shows that there is an average 7% increase in the payroll expenditure.

(In Rupees)

Calculation of incremental increase in Salary (in %age terms)								
Particulars	Per Month	Salary Year 1	Q1	Q2	Q3	Q4	Salary Year 2	Yearly Incremental
Basic Pay	10,000.00	1,20,000.00	30,900.00	30,900.00	30,900.00	30,900.00	1,23,600.00	3,600.00
DA	1,800.00	21,600.00	6,798.00	7,725.00	8,343.00	8,652.00	31,518.00	9,918.00
HRA	2,700.00	32,400.00	8,343.00	8,343.00	8,343.00	8,343.00	33,372.00	972.00
Perks	3,500.00	42,000.00	10,815.00	10,815.00	10,815.00	10,815.00	43,260.00	1,260.00
EPF	1,200.00	14,400.00	3,708.00	3,708.00	3,708.00	3,708.00	14,832.00	432.00
Total	19,200.00	2,39,400.00	60,564.00	61,491.00	62,109.00	62,418.00	2,46,582.00	16,182.00

Particulars	% age Increase					
DA	18%		22%	25%	27%	28%
HRA	27%		27%	27%	27%	27%
Perks	35%		33%	35%	35%	35%
EPF	12%		12%	12%	12%	12%

Total Increase (In Rs.)	16182
% Increase	7.02

Assumptions

Year 1 means previous year

Year 2 means Current Year

Basic Pay- 3% yearly increase considered

Dearness Allowance- Quarterly increase considered

HRA, perks and EPF- Considered Constant

- In the abovementioned example, the Salary expenditure for Year 1 shown as Rs. 230400/- per employee. Whereas, in the year 2 the salary expenditure is shown as Rs. 246582/- per employee. On the basis of above assumptions, the incremental expenditure on the head of salary is Rs. 16182/- per employee which comes out to 7.02% on Year-on-Year basis.
- In all other Airports AERA has considered 5% increase. AAI requests AERA to consider 5% increase on Year-on-Year basis for the Third Control Period to maintain consistency."

6.3.3 AAI's comments on General and Administration expenses for the Third Control Period is as follows:



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"AERA's Contentions

- Reference is invited to para 6.2.5 and 6.2.6 of the CP which stated as follows:
"Upkeep expenses: The Authority notes that AAI has based its projection for general and administrative expenses other than upkeep expenses and legal expenses on a growth rate of 10% over the previous year figures. The Authority proposes to use a growth rate of 4.9% (benchmarked to inflation as proposed by the Authority for the Third Control Period) for all components of general and administrative expenses other than upkeep expenses.
 The Authority has noted that AAI has projected upkeep expense of Rs.1316.30 lakhs for FY 2023-24 (225% growth over FY 2022-23 figures) due to commissioning of NITB. The Authority notes that increase in aeronautical area due to commissioning of NITB with reference to the existing terminal building is 219%. Hence, the Authority proposes a growth rate of 219% for upkeep expenses in FY 2023-24 as opposed to the growth rate proposed by AAI along with inflation of 4.9% from FY 2021-22 and thereafter.

AAI's Submission

- The upkeep expenses merely not linked with the area of building but there are other factors like cleaning with modern and high technology equipment, wages of the labor, escalations in the prices of the materials, cleaning of Transparent Glass Facades, Ceilings, Covid-19 protocols etc. The minimum wages of labor plays an important role in deciding the upkeep expenses at airport.
- Therefore, AAI requests AERA to allow the expenditure as submitted by AAI instead of restricting it to inflation of 4.9% from F.Y. 2021-22 and thereafter."

6.3.4 AAI's comments on CHQ & RHQ Admin. expenses for the Third Control Period is as follows:

"AERA's Contentions

- Reference is invited to para 6.2.7 of the CP which stated as follows: "The Authority reviewed the basis for allocation of CHQ and RHQ expenses to Pune International Airport for the Third Control Period. Based on the methodology explained under para 2.8.13 to 2.8.24 above (on true up of expenses for the Second Control Period), the Authority has derived the allocable expenses of CHQ and RHQ to Pune International Airport for the Third Control Period."

AAI's Submission

- AAI had submitted the Revised CHQ & RHQ Allocation for the F.Y. 2016-17, 2017-18, 2018-19, 2019-20 & 2020-21 to AERA vide e-mail dated 24.12.2021. Also refer detailed workings provided at the pre-page note of CHQ & RHQ Expenses. AAI requests AERA to consider the revised amount of allocations during these years."

(Rs. in Lakhs)

<i>PUNE International Airport (PNQ) : CHQ/RHQ Allocations</i>					
<i>Year></i>	<i>FY 17</i>	<i>FY 18</i>	<i>FY 19</i>	<i>FY 20</i>	<i>FY 21</i>
<i>Actual Amount ></i>	306.7	278.8	570.7	783.3	555.5

6.3.5 AAI's comments on Utility expenses for the Third Control Period is as follows:



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"AERA's Contentions

- Reference is invited to para 6.2.9 of the CP which stated as follows: "The Authority notes that AAI has projected power charges of Rs. 2080.02 lakhs for FY 2023-24 (242% growth over FY 2022-23 figures). The Authority also notes that increase in aeronautical area due to commissioning of NITB in relation to the existing terminal building is 219%. Hence, the Authority proposes a growth rate of 219% for power charges in FY 2023- 24 as opposed to the growth rate proposed by AAI along with inflation of 4.9% from FY 2021-22 and thereafter. The Authority notes that AAI has projected increase in water charges at a growth rate of 3 to 3.5% over the previous year. The Authority considers the same to be reasonable."

AAI's Submission

- AAI requests AERA to consider the expenses as submitted in the MYT Proposal for the Third Control Period subject to true-up in the Fourth control period."

6.3.6 AAI's comments on CSR expenses for the Third Control Period is as follows:

"AERA's Contentions

- Reference is invited to para 6.2.10 of the CP which stated as follows: "The Authority notes that CSR Cost has not been included as part of Aeronautical operational expenditure in AAI submission in Second Control Period true up and projections in the Third Control Period. The Authority proposes to estimate CSR expenses as 2% of the average of the previous three years' PBT."

AAI's Submission

- As per the provisions of Section 135 of the Act, the Companies (CSR Policy) Rules, 2014 and the DPE Guidelines, 2014, two percent of the average net profits (to be calculated in accordance with the provisions of the Act) during the three immediately preceding financial years will be allocated for CSR activities every year.
- Not considered by AERA in the Second Control Period True up for the F.Y. 2018 & 2019 due to the reason that Pune Airport have negative average profits during these years. It is also to be noted that CSR costs are allocated to a station from CHQ and hence AAI submits that the CSR computation based on an aero profit ought to be done on a company as a whole basis and not station wise. In this regard it is further added that a CSR committee headed by Chairman has been constituted by AAI Board for recommendation of the activities for CSR for AAI as a whole based on the profitability of AAI as a whole.
- The CSR Cost for Third Control Period is required to be considered on the same lines as proposed by AAI in the Second Control Period submission."

6.3.7 AAI's comments on R&M expenses for the Third Control Period is as follows:

"AERA's Contentions

- Reference is invited to para 6.2.12 and 6.2.13 of the CP which stated as follows: "The Authority notes that along with increase in 10% growth, AAI has considered AMC charges for New Terminal Building which is being charged from FY 2022-23 to FY 2025-26. The Authority is of the view that as most of the assets will be newly constructed/ installed during the control period and will also be covered under warranty clauses, the same may need only minimum repairs and maintenance. Therefore, the Authority proposes to consider the same stand as taken at the time of true up of Second Control Period for Repair & Maintenance expenses to be around 6% of the RAB (opening net block of the Third Control Period) till FY 2022-23."



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The Authority notes that AAI has estimated R&M on Newly capitalized facility also from FY 2023-24. The Authority notes that Civil-R&M costs are not likely to be incurred for new terminal Building for at least 1-2 years after commissioning. Thus, the Authority proposes to not consider AMC of Civil works. For other regular repairs and maintenance works Authority proposes to consider an inflation of 4.9% instead of 10% as estimated by AAI from FY 2023-24 onwards.

The Authority also notes that AAI has considered AMC of Capital addition of Digi Yatra from FY 2023-24 to FY 2025-26 amounting to Rs. 714.55 lakhs. The Authority is of the view that the capital addition of Digi Yatra has not been considered in RAB for Third Control Period which will be trued up on incurrence basis in the next control period. Accordingly, the AMC cost for the same will be considered on incurrence basis in the next control period."

AAI's Submission

- Basis of considering 6% on opening RAB of Third Control Period has not been provided in the CP
- AAI requests AERA to consider the projected costs for Third Control Period without restricting it to 6% on opening RAB of the Third Control Period. Moreover, applying a ratio on the depreciated WDV will further reduce the cost whereas the reality is that the costs will only increase over the years to make good the wear and tear over the years.
- It has been observed that AERA has not considered Digi yatra Opex expenses from F.Y. 2023-24 onwards.
- AERA notes that Civil R&M costs are not likely to incur for new Terminal Building for 1 to 2 years. AAI submits Defect Liability period for the proposed Terminal Building is only for 1 year. It is requested to consider AMC of Civil work of new terminal building.
- AAI request to consider other regular R&M increase by 10% from F.Y 2023-24 onwards as proposed by AAI."

6.3.8 AAI's comments on Working Capital Interest and Interest on Term Loan for the Third Control Period is as follows:

"AERA's Contentions

- Reference is invited to para 6.2.14 to 6.2.17 of the CP which stated as follows: " AAI has included claim for Working Capital Interest & Interest on term loan a separate line item in the computation of ARR. The Authority has noted that AAI had availed a short-term working capital facility of Rs. 1,500 crores and had also availed term loan of Rs. 2,100 crores in FY 2020-21 for all AAI Airports. The Authority notes that AAI has computed working capital interest based on the forecasted recovery of revenue and payment of expenses and has considered the entire expense as aeronautical. As per the calculation by AAI, the requirement for working capital will arise in the year of FY 2021-22. The Authority has reviewed the computation of interest on working capital loan. The Authority has reworked the cash flows based on the revised operating expenses, traffic, non-aeronautical and aeronautical revenues. As per this revised computation, there appears to be no material deficit between the spends and receipts and hence, there is no requirement to avail the WC facility for Pune International Airport. In case of need for Working Capital facility arising in the Third Control Period, the same will be reviewed and trued up at the time of tariff determination for the Fourth Control Period. The Authority proposes to not consider interest on term loans as O&M expenses. This is because the term loan has already been factored in the computation of FRoR, hence this amount is not being considered for reimbursement once again."



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AAI's Submission

- AAI requests AERA to consider the WC Interest based on the re-computations for Capex, Opex, CSR, CHQ & RHQ Allocations etc.
- With regard to Interest on Term Loan, as per Accounting Standard -16: The Borrowing Cost incurred subsequent to the capitalisation of the asset are recognised as financing charges in the period in which they are incurred. It is requested to allow the borrowing cost after the date of Capitalisation in line with the Accounting Standard and the accounting policy."

6.3.9 AAI's comments on UDF collection charges for the Third Control Period is as follows:

***AERA's Contentions**

- Reference is invited to para 6.2.18 of the CP which stated as follows: For collection charges on UDF under other outflows, AAI has considered the growth rate to be the same as that of passenger traffic. The Authority proposes to use the same approach, considering the same to be a reasonable driver."

AAI's Submission

- AAI requests AERA to consider the traffic as per AAI submission and accordingly consider the UDF Collection Charges."

Other Stakeholders' comments on Operating and Maintenance Expenses for the Third Control Period

6.3.10 FIA submitted the following comments on Operating Expenses for the Third Control Period is as follows:

- As per para 2.8.42 & Table 44 of the CP, AERA has raised concerns regarding the inefficiencies and high cost of O&M expenses and directed AAI to lower their Aeronautical Operating & Maintenance expenses for the Second Control Period. However, as seen from Para 6.2.21 & table 90 of the CP, despite the directions of AERA we observe that there is further increase in proposed O&M expenditure for Third Control Period.
- We are unaware as to whether Pune Airport has taken cost cutting measures including re-negotiations of all the cost items on its profit and loss account. It may be noted that cost incurred by Pune Airport impacts the airlines, as such most of the cost is passed through or borne by the airlines.
- In view of the above, we request AERA should:
 - (a) Put on hold any increase in operational expenditure by Pune Airport;
 - (b) Advise Pune Airport to review its spending on operational expenditure and re-negotiate all the operational expenditure costs in a significant manner and address any increase in fees sought by Pune Airport. It may be noted that across various industries, instead of cost escalations, all the costs have been renegotiated downwards substantially. Accordingly, Pune Airport needs to significantly reduce all such costs in a very aggressive manner. Pune Airport may be advised to reduce its cost by at least 35% and no escalation should be permitted; and
 - (c) In view of the above, Pune Airport should be directed to pass on cost benefits to the airlines.
 - (d) In particular, we submit that:
 - i. Expenses on account of CSR as given in table 43 of Consultation paper may be excluded. This will be in line with the similar treatment to CSR expenditure, given to CIAL at Cochin International Airport.



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ii. Y-O-Y increase in the O&M expenses proposed by Pune Airport is approximately 4% to 7%. Instead of a significant reduction in cost items of operating expenses, AERA has proposed a Y-O-Y percentage increase of around 3% to 5% between 2022 and 2026. Such an increase in the name of escalation, in a highly uncertain environment, where airlines are operating under curtailed operations, appears to be without any rationale and should be avoided.

iii. Payroll Cost: Although the activity level has gone down drastically, rather than significant reduction in the cost, the employee expenses as proposed by AERA are to increase Y-O-Y each year by 3% over the five (5) year control period.

- We submit that while the aviation sector, including airlines, have incurred huge losses and are struggling to meet their operational costs, the Pune Airport on the other hand seems to have paid/will pay incremental salaries which may not appear prudent considering the significant losses incurred by the aviation sector. It appears that Pune Airport wants to recover its full employee cost from the airlines, which are facing significant challenges to meet its operating expenses.
- We submit that there should not be any increase in manpower till the existing manpower is effectively utilized as it will take another two (2)- three (3) years to recover. Existing manpower can be reviewed and any additional costs due to contract manpower or otherwise should be reduced.
- Without prejudice to the above, Pune Airport needs to considerably restructure its employee benefit expenses and other expenses and hold any revisions at least for the next two (2) to three (3) years."

6.4 AAI's response to Stakeholders' comments regarding Operating and Maintenance Expenses for the Third Control Period

6.4.1 With respect to FIA's comments on Operating expenses for the Third Control Period, AAI submitted the following:

- "At Pune Airport, in 3rd Control Period, two Terminal Buildings (i.e. Old Terminal Building and Proposed New Integrated Terminal Building) would be there. Obviously, the operational cost would increase in 3rd Control Period. The costs to run the airports are mostly fixed and as per operational requirements.
- R&M Expenses- AAI submitted detailed responses in para 2.8.49 & 6.3.7 be referred.
- CSR- AAI submitted detailed responses in para 2.8.50 & 6.3.6 be referred.
- Upkeep Expenses- AAI submitted detailed responses in para 6.3.3 be referred.
- Payroll Cost- AAI submitted detailed responses in para 6.3.2 be referred."

6.5 Authority's analysis on Stakeholders' comments regarding Operating and Maintenance Expenses for the Third Control Period

Payroll Cost

6.5.1 The Authority noted AAI's comments and explanation given by AAI for annual growth in Payroll Expenditure. AAI has provided an illustration which shows the quarter wise increases in the salary cost components by varying percentages. The Authority after detailed examination of the example and increase in components of salary provided by AAI, has decided to consider a 5% Y-O-Y increase in pay roll cost as requested by AAI for the Third control period considering the actual payroll cost of FY 2019-20 as the basis.



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- 6.5.2 Further, the Authority has considered an increase of 5% Y-O-Y towards retirement benefit costs that are allocated by CHQ/RHQ to Pune International Airport. Expenses actually incurred subject to efficiency parameters would be considered for true up at the time of determination of tariff for the fourth control period.
- 6.5.3 The Authority also noted FIA's comments and Counter comment by AAI on payroll cost not to be increased. The Authority applies the same principles for projecting operating expenses as was done in other airports for tariff determination.
- 6.5.4 The Authority decides to use an annual growth rate of 5% to project payroll costs - CHQ and payroll costs - non-CHQ in the Third Control Period as requested by AAI.

General and Administrative Expenses

- 6.5.5 The Authority noted AAI's comments on Upkeep Expenses under general and administrative expenses. The Authority finds no rationale for using the actual increase beyond the inflationary increase. The Authority is also of the view that in light of the current pandemic, the growth rates considered by AAI for Third Control Period are higher and may not materialize in future. In this regard, the Authority has decided to project the general and admin cost considering a growth rate of 4.9% from FY 2021-22 to FY 2025-26. Expenses actually incurred subject to efficiency parameters would be considered for true up at the time of determination of tariff for the fourth control period.

CHO & RHQ - Admin. Expenses

- 6.5.6 The Authority has carefully noted AAI's comment on CHQ/RHQ expenses and the CHQ expense workings submitted by AAI. The Authority has addressed the same in detail in para 2.8.53 & 2.8.67.

Utility Expenses

- 6.5.7 The Authority noted AAI's comment for Utility expenses. The Authority finds no rationale for using the actual increase beyond the inflationary increase. The Authority is also of the view that in light of the current pandemic, the growth rates considered by AAI for Third Control Period are higher and may not materialize in future. In this regard, the Authority has decided to project the Utility expense considering a growth rate of 4.9% from FY 2021-22 to FY 2025-26. Expenses actually incurred subject to efficiency parameters would be considered for true up at the time of determination of tariff for the fourth control period. The Authority noted that the power recovery percentage is significantly lower than that of comparable airports and is of the view that with the gradual increase in the non-aeronautical operations, AAI should increase the power recovery at a notional rate of 25% from the concessionaires in the Third Control Period.

CSR Expenses

- 6.5.8 The Authority noted AAI's and FIA's comments on CSR expenses. The Authority has detailed its decision in para 2.8.60 while trueing up operating expenses for the Second Control Period.
- 6.5.9 The Authority notes that CSR expenditure is mandatory as per latest amendments to the Companies Act, 2013. Need for provision of CSR as part of Operating Expenditure has been upheld by TDSAT. Accordingly, the same has been considered by the Authority. The CSR expenses have been calculated as 2% of the average net aeronautical profit made during the three preceding financial years in line with Section 135 of Companies Act, 2013.
- 6.5.10 Accordingly, the Authority has made necessary adjustments for inclusion of eligible CSR expenses under operating expenses for the Third Control Period in accordance with the statutory provisions laid out in the Companies Act 2013. The same would be trueed up based on actuals and CSR expense eligibility determined on Aeronautical net profit after considering the actual spend.



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R&M Expenses

- 6.5.11 The Authority notes the comments made by AAI and FIA on R&M expenses. The Authority is of the following view:
- 6.5.12 The Authority has applied 6% only for first two years of Third Control Period for which explanation has been given in para 2.8.59. For the remaining years of Third Control Period, the R&M expenses has been projected by considering inflation of 4.9% for the existing facilities. For the NITB and other additional facilities the expenses projected by AAI have been considered in line with underlying contracts after considering the defect liability period.
- 6.5.13 The Authority, as detailed in para 4.8.9 to 4.8.12 of RAB chapter, has decided to consider the Digi Yatra to be commissioned in FY 2022-23. While considering the inclusion of the Digi Yatra project, the costs in managing and running the same have been considered as part of O&M expenses for the period FY 2023-24 to FY 2025-26.
- 6.5.14 The Authority notes that the submission of AAI that the defect liability period is only 1 (one) year is without sufficient documentation. Contracts/agreements have not been submitted even as part of the stakeholder consultation process. Hence, the Authority does not have any additional facts to necessitate change in the stand regarding the defect liability period at the Order stage.
- 6.5.15 The Authority finds no rationale for using the actual increase beyond the inflationary increase. The Authority is also of the view that in light of the current pandemic, the growth rates considered by AAI for Third Control Period are higher and may not materialize in future. In this regard, the Authority has decided to project the general and admin cost considering a growth rate of 4.9% from FY 2021-22 to FY 2025-26. Expenses actually incurred subject to efficiency parameters would be considered for true up at the time of determination of tariff for the fourth control period.
- 6.5.16 The Authority expects AAI to bring in efficiency by adopting a cost optimization strategy and follow measures to reduce cost. Expenses actually incurred during the control period will be reviewed and true up subject to a review of efficiency parameters.

Working Capital Interest & Interest on Term Loan

- 6.5.17 The Authority notes AAI's comment on recomputing the Working Capital Interest. The Authority has reworked the working capital requirement and the interest thereon. Based on the Authority's revised computation of all the building blocks, there appears to be no requirement for working capital and hence no interest has been considered by the Authority.
- 6.5.18 The Authority has taken note of AAI's comment regarding not allowing interest on term loan (financing charges). The Authority states that charges pertaining to financing of any loan other than working capital loan is provisioned to the airport operator under the fair rate of return provided on the regulatory asset base.

UDF Collection Charges

- 6.5.19 The Authority notes AAI's comment on considering UDF Collection charges as submitted by AAI. The Authority has calculated collection charges based on revised traffic as presented in Table 71 multiplied by collection charges per passenger. It is based on same method applied by AAI in its MYTP submission.
- 6.5.20 The Authority has reviewed the comments of FIA and counter comments of AAI regarding the inefficiencies, high cost, and year on year increase of operating expenses. While the Authority has noted the views of AAI, the Authority expects from Airport Operator to review and rationalize the Operation and Maintenance costs.
- 6.5.21 The Authority noted that FIA wanted to lower the percentage increase for Operating expenses in Third Control Period. The Authority has largely considered inflation-based increase for expenses, which is a reasonable increase in expenditure over the five-year period.



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- 6.5.22 The Authority has noted that the AAI has now submitted the actual Operating expenses for FY 2020-21. The actual expenses for FY 2020-21 were affected by Covid-19 pandemic and travel restrictions. Since FY 2020-21 was an abnormal year, the Authority decides to consider FY 2019-20 as the base year while projecting Operating expenses for the Third Control Period.
- 6.5.23 A summary of head wise basis of growth percentage decided to be considered by the Authority while projecting Operating & Maintenance for the Third Control Period is shown as below:

Table 110: Head wise growth percentage considered for projecting Operating & Maintenance by the Authority

Particulars	FY22	FY23	FY24	FY25	FY26
Payroll Expenditure	5% increase over FY 2019-20	5% increase	5% increase and 10% increase in employees due to TB expansion	5% increase	5% increase
Apportionment of CHQ/RHQ expenses (retirement benefits)	5% increase over FY 2019-20	5% increase	5% increase	5% increase	5% increase
Administrative & General Expenditure	4.9% increase over FY 2019-20	4.9% increase	4.9% increase. Further increase for 1. Upkeep expenses by 219% in line with increase in Terminal space 2. Admin - Others by 10%	4.9% increase	4.9% increase
Apportionment of administrative & general expenses to CHQ/RHQ	5% increase over FY 2019-20	5% increase	5% increase	5% increase	5% increase
Repairs & Maintenance Expenses	4.9% increase over FY 2019-20 and AMC charges for First bag, last bag	4.9% increase & AMC charges for electrical works	4.9% increase and AMC Charges for Digi Yatra	4.9% increase & AMC Charges	4.9% increase & AMC Charges
Power charges	4.9% increase over FY 2019-20	4.9% increase	4.9% increase & further increase by 219%	4.9% increase	4.9% increase
Water charges	Considered AAI submission	Considered AAI submission	Considered AAI submission	Considered AAI submission	Considered AAI submission
Hire charges	4.9% increase over FY 2019-20	4.9% increase	4.9% increase and further increase by 10%	4.9% increase	4.9% increase
Other utilities	4.9% increase over FY 2019-20	4.9% increase	4.9% increase and further increase by 10%	4.9% increase	4.9% increase
Other Outflows (LIDF Collection Charges)	Rs. 5 collected based on traffic	Rs. 5 collected based on traffic	Rs. 5 collected based on traffic	Rs. 5 collected based on traffic	Rs. 5 collected based on traffic

- 6.5.24 Based on the above examination, the Authority decides to consider the following O&M expenses for the Third Control Period:



OPERATING & MAINTENANCE EXPENSES FOR THE THIRD CONTROL PERIOD

Table 111: Aeronautical operating and maintenance expenses for the Third Control Period decided by the Authority

(Rs. in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Payroll Expenditure	A	2,870.95	3,021.02	3,876.94	4,070.79	4,274.33	18,114.03
Apportionment of CHQ/RHQ expenses	B	444.03	466.24	489.55	514.03	539.73	2,453.57
Total Payroll Expenditure	C=A+B	3,314.99	3,487.25	4,366.49	4,584.81	4,814.05	20,567.59
Administrative & General Expenditure	D	484.22	426.15	802.74	888.91	976.16	3,578.18
Apportionment of administrative & general expenses to CHQ/RHQ	E	3,301.08	3,466.14	3,639.44	3,821.42	4,012.49	18,240.57
Total Administrative & General Expenses	F=D+E	3,785.30	3,892.29	4,442.18	4,710.33	4,988.65	21,818.75
Digi Yatra (AMC)	G	-	-	238.18	238.18	238.18	714.55
Other Repairs & Maintenance Expenses	H	595.61	572.93	1,356.26	1,434.32	1,514.36	5,473.47
Repairs & Maintenance Expenses	I=C+H	595.61	572.93	1,594.44	1,672.50	1,752.54	6,188.02
Power charges	J	704.79	739.32	1,698.45	1,781.67	1,868.97	6,793.20
Water charges	K	28.13	29.13	30.13	31.13	32.13	150.65
Hire charges	L	202.86	212.80	245.55	257.58	270.20	1,188.99
Other utilities	M	18.79	19.71	20.67	21.69	22.75	103.60
Total Utility & Outsourcing Expenses	N=J+K+L+M	954.56	1,000.96	1,994.80	2,092.07	2,194.05	8,236.44
Other Outflows (UDF Collection Charges)	O	77.24	172.47	200.51	227.80	255.09	933.12
Total Aeronautical Operating Expenses	P=C+F+I+N+O	8,727.70	9,125.05	12,598.43	13,287.51	14,004.39	57,743.07

Note: The O&M expenses decided for the Third Control Period in the above Table 111 (Rs. 57,743.07 lakhs) is higher by Rs. 3,440.23 lakhs than that provided in the Table 109 (Rs. 54,302.84 lakhs amount proposed in Consultation Paper) due to the following:

1. Increase in Payroll expenditure by Rs. 1,239.20 lakhs for reasons stated in para 6.5.2
2. Increase in Admin and general expenses- CHQ/RHQ by Rs. 912.03 lakhs (Refer para 6.5.22 & Table 110)
3. Increase in Repairs and Maintenance by Rs. 720 lakhs due to inclusion of AMC of Digi yatra from FY 2023-24 (Refer para 6.3.13).
4. Increase in power charges by Rs 637 lakhs (Refer para 6.5.22 & Table 110).

6.6 Authority's decisions regarding to Operating and Maintenance Expenses for the Third Control Period

Based on the material before it and its analysis, the Authority has decided the following with respect to Operating and Maintenance Expenses for the Third Control Period:

- 6.6.1 To consider Aeronautical operating expenditure as detailed in Table 111 for the Third Control Period.
- 6.6.2 To true up the Operating Expenses for the Third Control Period based on actuals and evaluation of reasonableness during the tariff determination of the Fourth Control Period.



NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

7. NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

7.1 AAI's submissions relating to Non-Aeronautical Revenue (NAR) for the Third Control Period

7.1.1 AAI has submitted the projections of Non-Aeronautical Revenues in the following heads

- **Trading Concessions** – Restaurants & Snack Bars, TR Stalls, Duty Free Shops and Hoarding & Display.
- **Rent & Services** – Building Non-Residential, Land lease, Hanger Revenue, Car Parking and Multi Level Car Parking (MLCP).
- **Other Services** – Public Admission Fees, Car Rentals, Flight Catering Service, Interest Income and Other Miscellaneous Income.

7.1.2 The growth rates assumed by AAI for each of the category of non-Aeronautical revenue is as follows:

Table 112: Summary of Assumptions of Non-Aeronautical Revenue submitted by the AAI for Third Control Period

Particulars	Sub-Head	Assumptions
Trading Concessions	1. Restaurants & Snack Bars 2. TR Stalls 3. Duty Free Shops 4. Hoarding & Display	a. The steep reduction in revenues in FY 2020-21 due to the Covid-19 impact has been similarly continued for FY 2021-22, additionally in consideration of discounts as mentioned in Circular 26 - CSS (Concessionaire Support Scheme). b. From FY 2022-23, AAI has assumed a steep increase in the revenue levels mostly owing to the commissioning of new terminal from FY 2022-23. c. In the case of Duty-Free Revenue, AAI expects it to increase in FY 2022-23 by 1211%, to reduce in FY 2023-24 by 42% and remain constant thereon until the end of the control period.
	1. Building Non-Residential 2. Land Lease 3. Hanger	AAI has submitted to retain the revenue levels of FY 2019-20 for FY 2020-21 and has proposed a 7.5% YoY increase thereon.
	Car Parking	AAI has submitted to consider only 20% revenues of FY 2019-20 levels for FY 2020-21 and has proposed a 3-fold increase in FY 2021-22, followed by 10% YoY thereon from FY 2022-23.
	MLCP	AAI has submitted that revenue from FY 2022-23 is as per the proposed agreement.
Other Services	1. Public Admission Fees 2. Interest Income 3. Other Misc. Income	AAI has proposed to consider 5% increase YoY from FY 2020-21 revenue levels.
	Flight Catering	AAI has considered the flight catering revenue at 11% of FY 2020-21 for FY 2021-22 and has proposed Nil revenue thereafter until the end of the control period. AAI has considered the projection as Nil because all the flights from FY 2022-23 are bound to procure catering services from their respective take-off stations.
	Car Rentals	AAI has considered 6% of revenues of FY 2019-20 levels for FY 2020-21 and has proposed a large increase in FY 2021-22, followed by 10% YoY thereon from FY 2022-23.

7.1.3 Revenue from Non-Aeronautical Services for Third Control Period, as submitted by AAI, is as follows:



NON-AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Table 113: Non-Aeronautical Revenue for the Third Control Period submitted by AAI

(Rs in Lakhs)						
Particulars	FY22	FY23	FY24	FY25	FY26	TOTAL
Trading Concessions						
Restaurant / Snack Bars	182.31	1,981.01	2,075.24	2,383.05	2,737.03	9,358.64
T.R. Stall	6.40	1,539.51	5,337.40	6,130.78	7,042.49	20,056.58
Duty Free Shop	19.26	252.56	147.32	147.32	147.32	713.78
Hoarding & Display	15.78	673.92	741.35	815.50	897.04	3,143.59
Rent & Services						
Building Non-Residential	427.79	459.88	494.37	531.44	571.30	2,484.78
Land Lease	159.77	171.75	184.63	198.48	213.37	928.01
Hanger	416.82	448.08	481.60	517.81	556.65	2,421.05
Car Parking	123.07	135.37	148.91	163.80	180.18	751.33
MLCP	-	200.00	211.00	222.51	234.85	868.45
Other Services						
Public admission Fees	26.77	28.11	29.51	30.99	32.54	147.91
Flight Catering Service	12.92	-	-	-	-	12.92
Car Rentals	14.48	511.11	562.21	618.43	680.28	2,386.51
Interest income	66.11	69.42	72.89	76.53	80.36	365.31
Other Misc. Receipts	346.20	363.51	381.68	400.77	420.81	1,912.96
Total NAR	1,817.68	6,834.22	10,868.26	12,237.51	13,794.21	45,551.83

7.2 Authority's examination on Non-Aeronautical Revenue for the Third Control Period as part of Consultation Paper

7.2.1 The Authority had carefully examined AAI's submission regarding various non-aeronautical revenue streams for the Third Control Period and has the following observations:

Revenue from Rent and Services

7.2.2 The Authority had noted that AAI had estimated revenue from land rent and leases for FY 2021-22 by assuming a 0% growth over FY 2020-21 revenues. From FY 2022-23, AAI used a growth of 7.5% per annum to estimate revenue from land rent and leases as per Commercial instruction no.15.2020 (referred in para 2.9.9. The Authority had proposed to consider the increase in revenues as submitted by AAI on Building Non-Residential, Land Lease and Hanger Revenues for the Third Control Period.

Revenue related to passenger traffic

7.2.3 The Authority had noted that AAI estimated revenue for FY 2021-22 by assuming that the non-aeronautical revenue for the Third Control Period will be in proportion to the projected passenger traffic. As a result, AAI had projected revenues by applying the ratio as per passenger traffic in each tariff year together with considering the space allocated to non-Aeronautical concessionaires in the new Terminal Building. The Authority had proposed to consider the revenues for the Third Control Period by applying a combination of the percentage of revised total traffic numbers (based on FY 2019-20 nos. i.e., pre-Covid year) and considering AAI Circulars 24 & 26 for FY 2021-22.

Multi – Level Car Parking (MLCP)

7.2.4 The Authority on perusal of extract of the terms of MLCP contract/RFP, had requested AAI for detailed contractual arrangements with respect to the MLCP Contract. Details of same were awaited from AAI. The Authority noted that it would review the documents and make necessary updates, if any at the time of issue of Order.



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- 7.2.5 Based on the available data regarding MLPC contract/RFP, the Authority had also noted that AAI had only considered the revenue portion and had not considered the Annual Guarantee portion as per MLPC contract. As per the contract, the 5.5% increase is applicable on annual guarantee amount. However, AAI had not considered such increase over the amount ascertained, which was proposed to be corrected.
- 7.2.6 Hence, the Authority had proposed to consider both the components of the license fee i.e., Annual Guarantee and Revenue Share together as the revenue from MLCP.

Table 114: Revenues from MLCP as submitted by AAI

	(Rs in Lakhs)			
License Fee	FY23	FY24	FY25	FY26
Annual Guarantee	-	-	-	-
Revenue Share	200.00	211.00	223.00	235.00
Total	200.00	211.00	223.00	235.00

Table 115: Revenues from MLCP as recomputed by the Authority

	(Rs. in Lakhs)			
License Fee	FY23	FY24	FY25	FY26
Annual Guarantee	400.00	422.00	445.00	470.00
Revenue Share	200.00	211.00	223.00	235.00
Total	600.00	633.00	668.00	705.00

Flight Catering Revenue

- 7.2.7 The Authority had noted that AAI has submitted an 89% decrease in flight catering revenue for 2021-22 from 2020-21 levels and had proposed NIL revenues from FY 2022-23 and thereafter until the end of the control period. On enquiry, it was informed by AAI that all the flights from 2022-23 are bound to procure catering services from their respective take-off stations.
- 7.2.8 However, the rationale provided by AAI was not substantiated with any details or documentation. The Authority had proposed to consider Flight Catering Revenue projections similar to other revenues related to traffic, increasing the same based on the traffic growth rate and inflation.

Other Service Revenues

Public Admission Revenue

- 7.2.9 AAI had submitted to consider a 5% YoY increase in public admission for the Third Control Period. However, the Authority was of the opinion that public admission fee is dependent on traffic growth rates and hence the Authority had proposed to consider the estimate on the basis of traffic.

Interest Income and Other Miscellaneous Income

- 7.2.10 The Authority had noted that AAI has proposed to consider a 5% nominal YoY increase in revenue levels from 2020-21 levels. The Authority had proposed to consider the same for estimating the revenues for the Third Control Period and true up the same based on actuals.
- 7.2.11 Based on the methodology mentioned above, the Authority considered the following projections for the Third Control Period:



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Table 116 : Non-Aeronautical Revenue considered by the Authority for Third Control Period as part of Consultation Paper

(Rs in Lakhs)						
Particulars	FY22	FY23	FY24	FY25	FY26	TOTAL
Trading Concessions						
Restaurants & Snack Bars	1,147.14	1,981.01	2,303.03	2,616.49	2,929.95	10,977.62
TR Stalls	573.38	1539.51	5337.40	6130.78	7042.49	20,623.56
Duty Free Revenue	46.40	252.56	336.75	346.85	356.95	1,339.50
Hoarding & Display	263.74	673.92	783.47	890.10	996.74	3,607.97
Rent & Services						
Building Non-Residential	182.61	196.31	211.03	226.86	243.88	1,060.70
Land Lease	159.77	171.75	184.63	198.48	213.37	928.01
Hanger	416.82	448.08	481.69	517.81	556.65	2,421.05
Car Parking	123.07	191.40	233.42	278.18	326.77	1,152.85
MLCP	0.00	600.00	633.00	667.82	704.54	2,605.36
Other Services						
Public Admission Fee	26.77	41.63	50.77	60.51	71.08	250.75
Flight Catering	76.34	118.72	144.78	172.55	202.69	715.08
Car Rentals	259.84	511.11	623.31	742.84	872.60	3,009.70
Interest Income	66.11	69.42	72.89	76.53	80.36	365.31
Other Misc. receipts	346.20	363.51	381.68	400.77	420.81	1,912.96
Total	3,688.18	7,158.94	11,777.56	13,326.58	15,018.87	50,970.43

7.3 Stakeholders' comments on Non Aeronautical Revenue for Third Control Period

7.3.1 During the stakeholders' consultation process, the Authority has received comments/views from various stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with respect to Non-Aeronautical Revenue for the Third Control Period. The comments by the stakeholders are presented below:

AAI's comments on Non Aeronautical Revenue for the Third Control Period

7.3.2 AAI's comments on Revenues related to passenger traffic for the Third Control Period is as follows:

***AERA's Contentions**

- Reference is invited to para 7.2.3 of the CP which stated as follows: The Authority notes that AAI estimated revenue for FY 2021-22 by assuming that the non-aeronautical revenue for the Third Control Period will be in proportion to the projected passenger traffic. As a result, AAI has projected revenues by applying the ratio as per passenger traffic in each tariff year together with considering the space allocated to non-Aeronautical concessionaires in the new Terminal Building. The Authority proposes to consider the revenues for the Third Control Period by applying a combination of the percentage of revised total traffic numbers (based on FY 2019-20 nos. i.e., pre-Covid year) and considering AAI Circulars 24 & 26 for FY 2021-22.

AAI's Submission

- Generally, increase in traffic is not proportionate with increase in NAR.
- It is to mention that in view of Covid-19 pandemic, AAI had provided Concessionaire Support Scheme (CSS) to various contractors linked to the passenger traffic till 31/12/2021. Under the CSS,



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license/concession fee was charged based on actual passenger traffic during a particular month. In addition, additional discount was also given due to adverse impact on buying behavior of the passenger.

- In view of the above, revenue growth after 31/12/2021 is not to be linked with passenger traffic growth. Most of the commercial contracts have been awarded by AAI on fixed license fee basis having annual escalation provision of 10%. Therefore, AAI projections are based on the consistent revenue increment trend during pre- Covid years
- Hence, projections from FY 2022-23 onwards should be delinked with total traffic numbers and AAI circulars 24&26. Further, in the revenue projection for FY 2021-22, additional discount provided under CSS in license fee due to adverse impact on passenger buying behavior has also to be factored in.

(Rs in Lakhs)

Particulars	Proposed by AERA FY 22	MYTP submission by AAI FY 22	Actual Achieved by AAI up to Dec' 21	AAI Submission
Restaurants Snack Bar	114.7	18.2	10.5	Projected figures submitted by AAI are reasonable.
TR Stall	57.3	0.6	2.4	Projected figures submitted by AAI are reasonable. AERA to consider pro-rata of the actuals up to December for FY 2021-22.
Duty-Free Shop	4.6	1.9	0.2	There is no int'l flight operation as on date and perhaps will continue till 31.03.2022.
Hoarding & Display	26.4	1.6	12.9	The projections submitted by AAI is reasonable AERA to consider pro-rata of the actuals up to December for FY 2021-22.
Inflight catering	7.6	1.2	3	AERA to consider pro-rata of the actuals up to December for FY 2021-22.
Total	210.6	23.5	29	

- It is submitted that after operationalization of MCLP, the revenues from the present Car parking facility shall be subsumed under MCLP. Hence, the revenues from Car Parking should not be included from FY 2022-23 onwards.
- Therefore, AAI submits that the Non-Aeronautical Revenue as submitted in the MYTP may be considered.

7.3.3 AAI's comments on Revenues from MLCP for the Third Control Period is as follows:

***AERA's Contentions**

- Reference is invited to para 7.2.4 of the CP which stated as follows: The Authority on perusal of extract of the terms of MLCP contract/RFP, requested AAI for detailed contractual arrangements with respect to the MLCP Contract. Details of same are awaited from AAI. The Authority will review the documents and make necessary updates, if any at the time of issue of Order.
- Based on the available data regarding MLPC contract/RFP, the Authority also notes that AAI has only considered the revenue portion and has not considered the Annual Guarantee portion as per MLCP contract. As per the contract, the 5.5% increase is applicable on annual guarantee amount. However, AAI has not considered such increase over the amount ascertained, which is proposed to be corrected.
- Hence, the Authority proposes to consider both the components of the license fee i.e., Annual Guarantee and Revenue Share together as the revenue from MLCP.

AAI's Submission

- MLCP Revenue: The License Fee payable by the Developer shall be as below in two parts:
 - An amount of Rs.4 Crore as an Annual Guarantee with an Escalation of 5.5% for each Financial Year,



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(ii) Revenue share of 15% of the Project revenue or 50% of the Annual Guarantee i.e. Rs. 4 Crore, whichever is higher.

- However, the minimum Annual Guarantee assured shall be Rs. 6 Crore for first financial year after COD and thereafter with an Escalation 5.5 % on Annual Guarantee as above.
- The stipulated Commercial operations date (COD) of MLCP is 18.04.2022, however an extension on account of Force majeure event due to Covid-19 for 105 days has also been granted by AAI which may further cause extension of COD till 31.07.2022 In respect of MLCP. At present more than 75% of work has been completed.
- In the MYTP Model, full year Revenue from MLCP has been considered whereas the project would go live from August-2022 onwards. Hence, proportionate Revenue to be considered for MLCP as well as proportionate Revenue to be considered for Car Parking. (Car Parking Revenue up to July-2022 and Revenue from MLCP from August-2022 onwards)
- The existing Car Parking contract shall be ceased on COD of MLCP. Therefore, AAI requests AERA not to consider Non-aero Revenue as proposed by AERA on account of Car Parking."

7.3.4 AAI's comments on Revenues from In-flight catering services for the Third Control Period is as follows:

AERA's Contentions

- Reference is invited to para 7.2.7 of the CP which stated as follows: The Authority notes that AAI has submitted an 89% decrease in flight catering revenue for 2021-22 from 2020-21 levels and has proposed NIL revenues from FY 2022-23 and thereafter until the end of the control period. On enquiry, it was informed by AAI that all the flights from 2022-23 are bound to procure catering services from their respective take-off stations. However, the rationale provided by AAI was not substantiated with any details or documentation. The Authority proposes to consider Flight Catering Revenue projections similar to other revenues related to traffic, increasing the same based on the traffic growth rate and inflation.

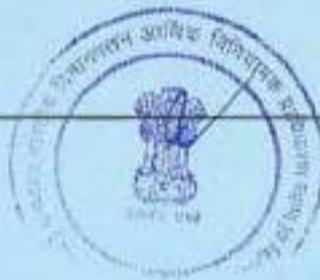
AAI's Submission

- Since, Pune Airport is not a terminal station, AAI requests AERA to consider the reasonable increase of Inflight catering revenue based on actuals up to December 2021 instead of linking it with the traffic as proposed vide table No.56 of CP"

Other Stakeholders' comments on non-aeronautical revenue for the Third Control Period

7.3.5 FIA's comment regarding non-aeronautical revenue for the Third Control Period is as follows:

- "We request AERA to kindly undertake a detailed scrutiny examination with the assistance of an independent study to be conducted on the non-aeronautical revenue before the tariff determination of the Third Control Period, as we are of the view that the low figures of Pune are conservative. It is further requested that Pune Airport explores all avenues to maximize revenue from the utilization of terminal building (including NITB) for non-aeronautical purposes, as deemed fit.
- Without prejudice to the above, our submission is that increase in non-aeronautical revenue is a function of passenger traffic growth, inflationary increase, and real increase/escalations in contract rates. AERA is requested to ensure no adjustments are proposed to non-aeronautical revenue which is not dependent on traffic but are derived from agreements with concessionaires.
- Royalty: Any attempt to award the contracts by the airport operator on the highest revenue share basis should be discouraged as it breeds inefficiencies and tends to disproportionately increase the cost. It is



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general perception service providers have no incentive to reduce its expenses as any such increase will be passed on to the airlines through tariff determination mechanism process and indirectly airlines will be forced to bear these additional costs. There needs to be a mechanism for incentivizing the parties for increasing efficiencies and cost savings and not for increasing the royalty for the airport operator.

- *As you are aware, royalty is in the nature of market access fee, charged (by any name or description) by the Airport operator under various headings without any underlying services. These charges are passed on to the airlines by the airport operator or other services providers.*
- *The rates of royalty at Pune airport are as high as up to 13- 15% for some services. It may be pertinent to note that market access fee by any name or description is not practiced in most of the global economies, including European Union, Australia etc. Sometimes it is argued by the airport operators that 'Royalty' on 'Aeronautical Revenues' helps in subsidizing the aero charges for the airlines, however royalty in 'Non-Aeronautical Revenues' hits the airlines directly without any benefit.*
- *In view of the above, we urge AERA to abolish such royalty which may be included in any of the cost items."*

7.4 AAI's response to Stakeholders' comments regarding Non Aeronautical Revenue for the Third Control Period

7.4.1 With respect to FIA's comments on Non Aeronautical revenue for the Third Control Period, AAI submitted the following:

- *"Generally, increase in traffic is not proportionate with increase in NAR. It is to mention that in view of Covid-19 pandemic, AAI had provided Concessionaire Support Scheme (CSS) to various contractors linked to the passenger traffic till 31/12/2021. Under the CSS, license/concession fee was charged based on actual passenger traffic during a particular month. In addition, additional discount was also given due to adverse impact on buying behavior of the passenger.*
- *In view of the above, revenue growth after 31/12/2021 is not to be linked with passenger traffic growth. Most of the commercial contracts have been awarded by AAI on fixed license fee basis having annual escalation provision of 10%. Therefore, AAI projections are based on the consistent revenue increment trend during pre- Covid years*
- *Hence, projections from FY 2022-23 onwards should be delinked with total traffic numbers and AAI circulars 24&26. Further, in the revenue projection for FY 2021-22, additional discount provided under CSS in license fee due to adverse impact on passenger buying behavior has also to be factored in.*
- *AAI has provided same rate for Rent & Services to Airlines for the F.Y. 2020-21 as per rates of F.Y. 2019-20. Further, for 2020-21 the rates of Rent & Services has been reduced by 8% for AC and 20% for Non-AC.*
- *Royalty: AAI has initiated tender as per the terms and conditions, period of license etc., mentioned in line with the AAI commercial manual. Commercial Department is collecting 13% of GTO from Inflight Caterers for doing business at Airport. Collection of 13% royalty from Inflight catering service provider is prevailing in all the AAI managed Airports as per the internal policy.*
- *AAI is incurring huge expenditure on providing the infrastructure to facilitate the Ground Handling Agencies for providing their services to the airlines. Further, the royalty on Ground handling charges (Revenue Share) payable by Ground Handling Agency has been brought down to 3% of Actual Gross Revenue from Scheduled Domestic Passenger Flights and 15% of Actual Gross Revenue from users other than Scheduled Domestic Passenger Flights and RCS flights. This is effective from 1st October 2021."*



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7.5 Authority's analysis on Stakeholders' comments regarding Non-aeronautical expenses for the Third Control Period

Non Aeronautical Revenues related to passenger traffic

7.5.1 The Authority takes note of AAI's comments on non-aeronautical revenue related to passenger traffic, AAI has stated that most of the commercial contracts are based on a license fee model. Circular 24 and 26 on Concessionaire Support Scheme issued by AAI states that passenger base be adopted for determining the revenue to be charged in the license fee scenario also:

2.2 For the period post partial resumption of flights (i.e., w.e.f. 25.05.2020): Charging of license fee on Pro rata basis linked with passenger traffic:

(a) **Contracts based on revenue share or MMG, whichever is higher model:**
In respect of contracts falling under this category like Duty Free Shop, Master Concession for F&B and Retail etc., Pro rata MMG Billing linked with Passenger Traffic or Revenue Share, whichever is higher, methodology to be adopted.

(b) **Contracts based on fixed license fees model:**
In respect of contracts falling under this category like Vehicle Parking, Advertisement Rights, Money Exchange etc., Pro rata License Fees Billing linked with Passenger Traffic Methodology may be adopted.

The fixed license fee/MMG (as the case may be) on pro rata basis to be arrived at by comparing monthly passenger traffic of current year with the corresponding monthly passenger traffic of previous year of that particular airport. (Passenger traffic herein may be referred as Domestic Passenger or International Passenger or both depending upon the target customer for a particular facility/Airport terminal). All other terms and conditions shall be as per the contractual provisions.

7.5.2 Hence, the Authority has considered passenger base as the metric to project revenues for the third control period keeping 2019-20 (pre-COVID year) as a base year. Hence, the Authority does not find reason to not project the revenues for Third Control Period based on passengers. Further it is to be noted that in the projections, the CSS scheme was applied till FY 2021-22 based on the information and discussions held during the consultation stage. No documents have been submitted by AAI towards evidence for the end date of this scheme/extension proposed by AAI.

7.5.3 AAI has provided the actual revenues earned in certain segments till December 2021. An analysis of the revenue accrued in books in this year to FY 2019-20 and corresponding ratio of traffic is computed as follows:

Particulars	Revenue in FY 2019-20	Revenue till Dec-21	Revenue till March-21 extrapolated	Revenue of 21-22 Revenue of 19-20	Traffic in 19-20	Traffic till Dec-21	Traffic till Mar-21 extrapolated	Traffic of 21-22 / Traffic of 19-20
Restroom / Snack Bar	1,116.34	182.00	160.00	6.25%				
T.K. Staff	1,067.82	24.00	22.00	2.00%				
Duty Free Shop	232.24	2.00	2.67	1.06%	38,81,007.00	38,13,972.00	41,24,372.00	31.61%
Handing & Display	491.17	129.00	172.00	35.02%				
Flight Catering Service	151.33	30.00	40.00	26.11%				
Total	4,003.04	298.00	396.67	9.4%				

7.5.4 It is observed that actual traffic of 2021-22 was almost 50% of the pre-COVID level (FY 2019-20) traffic. However, the revenues from various streams range only between 1.06% to 35.02% of FY 2019-20 revenues. Reasons for this wide variance has not been provided by AAI in its submissions. Hence, the Authority decides to consider the revenues as projected in the consultation paper, subject to changes based



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on the changes made to traffic. This shall be tried up during the fourth control period based on actuals and sufficient justification for variances in revenues after due evaluation.

Multi Level Car Parking

- 7.5.5 The Authority notes the comments made by the AAI on MLCP's revenues. The Authority notes that car parking and MLCP revenues were both included in the MYTP submitted by AAI and after detailed discussion with AAI at the time of consultation paper, no further communication was received regarding the discontinuation of car parking revenues following MLCP development. AAI has now submitted as part of stakeholders' comment that car parking contract will not be active after commencement of MLCP. Hence, the Authority decides to consider revenue from existing car parking till FY 2021-22 and thereafter revenue from MLCP contract for projecting Non-Aeronautical Revenues.
- 7.5.6 The Authority, while examining the minutes of AUCC meeting conducted on 31st January 2022 (shared by AAI vide email dated 9th February 2022 and screenshot has been attached below), noted that the MLCP will be operational by April 2022 itself instead of August 2022 as submitted by AAI as stakeholder comments on 28th January 2022 (refer para 7.3.3). Accordingly, the Authority does not see merit in AAI contentions regarding considering revenue from MLCP from August 2022 onwards and decides to consider MLCP revenue from April 2022.

APD Pune Airport also informed about the construction work of multi level car parking at Pune Airport being developed at an expenditure of Rs. 120 Cr. Approx 90-95% work is already completed and same is expected to operationalize by April 2022. The multilevel car parking will have capacity for parking of 1024 cars. Arrangements are also done for 2-Wheeler and 3-Wheeler parking. It's a state of the art structure consisting of F&B and retail facilities along with the parking.

Inflight Catering Services

- 7.5.7 The Authority takes note of AAI's observations regarding reasonable increase of Inflight catering revenue based on actuals up to December 2021 instead of linking it with the traffic. In-flight catering revenues are expected to be consistent with the number of ATMs and the passenger forecasts for the third control period. Therefore, the Authority decides to revise the in-flight catering revenues based on the traffic forecasts established by the Authority for the third control period in Table 7I.
- 7.5.8 The Authority takes note of FIA's comment on how non-aeronautical revenue was projected after taking into account relief measures provided to its concessionaires as well as AAI's counter comment to the same. The Authority decides to estimate the non-aeronautical revenue projections using the traffic forecasts decided by the Authority in Table 7I after giving effect to the concession schemes offered by AAI. Given the capitalization of the NITB, the Authority expects AAI to increase Pune International Airport's non-aeronautical revenues.
- 7.5.9 The Authority has taken note of FIA's comments regarding non-aeronautical revenue. The Authority has applied appropriate basis for extrapolation based on the nature of each non-aeronautical revenue. The Authority has used appropriate parameters - passenger traffic and concession agreement based - to estimate non-aeronautical revenues in the Third Control Period.
- 7.5.10 The Authority expects AAI to thoroughly review the non-aeronautical revenue generated by Pune International Airport, Pune and other airports and make endeavours to increase the same for the benefit of airport users by cross-subsidizing the required aeronautical revenue. Along these lines, the Authority expects AAI to recover the non-aeronautical revenue loss (if any) during the pandemic in the remaining years of the Third Control Period so as to benefit the airport users through higher cross-subsidization.



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- 7.5.11 **Regarding Royalty:** The Authority has noted the issue of high royalty fees/license fees and revenue share payable to airport operators by the service providers as a pass-through expenditure. It may be noted that the Authority has a separate tariff determination process for service providers during which issues relating to royalty charges are addressed alongside a rigorous stakeholder consultation process.
- 7.5.12 The Authority states that the non-aeronautical revenue is subject to change due to the revised passenger traffic as provided in Table 71 and other relevant changes. The following table summarizes the non-aeronautical revenue for the Third Control Period as decided by the Authority:

Table 117 : Non-Aeronautical Revenue for Third Control Period decided by the Authority

Particulars	(Rs in Lakhs)					
	FY22	FY23	FY24	FY25	FY26	TOTAL
Trading Concessions						
Restaurants & Snack Bars	761.68	1,981.01	2,314.40	2,629.41	2,944.41	10,630.91
TR Stalls	380.71	1,539.51	5337.40	6130.78	7042.49	20,430.89
Duty Free Revenue	19.26	342.22	684.44	704.97	725.51	2,476.40
Hoarding & Display	175.12	673.92	787.34	894.50	1001.66	3,532.53
Rent & Services						
Building Non-Residential	343.38	369.14	396.82	426.58	458.58	1,994.50
Land Lease	343.95	369.74	397.47	427.28	459.33	1,997.77
Hanger	416.82	448.08	481.69	517.81	556.65	2,421.05
Car Parking	123.07	0.00	0.00	0.00	0.00	123.07
MLCP	0.00	600.00	633.00	667.82	704.54	2,605.36
Other Services						
Public Admission Fee	26.77	62.39	76.46	91.13	107.05	363.80
Flight Catering	50.69	118.14	144.78	172.55	202.69	688.85
Car Rentals	172.52	511.11	626.39	746.51	876.91	2,933.44
Interest Income	66.11	69.42	72.89	76.53	80.36	365.31
Other Misc. receipts	346.20	363.51	381.68	400.77	420.81	1,912.96
Total	3,226.27	7,448.19	12,334.77	13,886.65	15,580.98	52,476.86

Note: The Non-aeronautical revenue decided for the Third Control Period in the above Table 117 (Rs. 52,476.86 lakhs) is higher by Rs. 1,506.43 lakhs than that provided in Table 116 (Rs. 50,970.43 lakhs) the amount proposed in Consultation Paper due to the net effect of followings:

1. Revenues related to traffic has been impacted due to change in traffic as decided by the Authority in Table 71.
2. Revenue from Land lease has been projected based on FY 2020-21. In FY 2020-21 revenue from Land lease has increased due to increase in area allotted to concessionaries which is assumed to be continued in coming years (refer para 2.9.15).

7.6 Authority's decisions regarding to Non-Aeronautical Revenues for the Third Control Period

Based on the material before it and its analysis, the Authority has decided the following with respect to Non-Aeronautical Revenues for the Third Control Period.

- 7.6.1 To consider the Non-Aeronautical Revenues for Third Control Period as per Table 117 .
- 7.6.2 To true up Non-Aeronautical Revenue based on actual revenues for Third Control Period and its reasonableness at the time of determination of tariff for Fourth Control Period.



8. TAXATION FOR THE THIRD CONTROL PERIOD

8.1 AAI's submissions regarding Aeronautical Taxation for the Third Control Period

8.1.1 AAI has calculated the revenue generated from regulated services, aeronautical operating expenses, interest and financing charges, and depreciation on written down value (WDV) of assets as per income tax. After calculating the Profit Before Tax (PBT), a tax rate of 25.17% was applied, after setting off prior losses. The aeronautical taxes as submitted by AAI to be considered for tariff calculation are as shown in the table below:

Table 118: Aeronautical taxes submitted by AAI for Third Control Period

(Rs in lakhs)							
Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aero Revenue	A	10,833.91	19,251.19	28,770.38	38,929.47	50,272.57	1,48,057.53
O&M Expense	B	10,748.06	11,505.28	16,261.10	17,308.73	18,257.78	74,080.95
Total Interest and Financing Charges	C	185.85	152.86	1,579.17	1,367.87	1,147.12	4,432.86
Depreciation	D	1,872.41	4,929.90	7,029.94	6,073.05	5,377.81	25,283.10
Total expenditure	E=B+C+D	12,806.32	16,588.03	2,4870.22	24,749.65	24,782.70	1,03,796.91
Profit Before Tax	F=A-E	-1,972.40	2,663.16	3,900.16	14,179.82	25,489.87	44,260.62
Set-off of prior period tax losses	G		2,663.17	3,900.19	1,543.70		8,107.06
PBT after set-off of losses	H=F-G	-1,972.40	-0.01	-0.03	12,636.12	25,489.87	36,153.56
Tax [34.944% up to FY19 & 25.17% from FY20]	I	-	-	-	3,180.51	6,413.80	9,596.31
Profit After Tax		-	-	-	9,455.61	19,074.07	28,529.68

8.2 Authority's examination on Aeronautical taxation for the Third Control Period as part of Consultation Paper

8.2.1 The Authority had noted that AAI has calculated income tax based on the aeronautical revenues projected using revised rates as submitted in the MYTP. The Authority had re-computed the taxes based on the revised regulatory blocks for the Third Control Period proposed in the previous sections and considering carried forward losses accumulated at the time of true up of Second Control Period amounting to Rs. 3,745.54 lacs (refer Table 63) and Interest on term loan (as explained in para 2.103). The following table summarizes the aeronautical taxes considered by the Authority for the Third Control Period

Table 119: Aeronautical taxes considered by the Authority for Third Control Period as part of Consultation Paper

(Rs. in Lakhs)							
Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aero Revenue	A	12,140.56	15,436.13	17,980.89	20,300.44	22,649.81	88,507.82
O&M Expense	B	8,467.35	8,757.19	11,792.35	12,363.06	12,922.89	54,302.84
Interest on Term Loan charged off to P&L	C	21.00	81.02	1,447.85	1,248.98	1,044.27	3,843.12



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Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Depreciation	D	1,011.05	3,761.15	6,175.55	5,472.49	4,863.87	21,284.10
Total Expenditure	E=B+C+D	9,499.39	12,599.36	19,415.75	19,084.53	18,831.03	79,430.07
Profit Before Tax	F=A-E	2,641.16	2,836.76	-1,434.86	1,215.90	3,818.79	9,077.75
Set-off of prior period tax losses	G	2,041.16	1,212.00	-	1,215.90	218.96	5,288.03
PBT after set-off of losses	H=F-G	-	1,624.76	-	-	3,599.83	5,224.59
Tax at 25.17%	I	-	408.95	-	-	906.08	1,315.03
Profit After Tax	J=H-I	-	1,215.81	-	-	2,693.75	3,909.56

8.3 Stakeholders' comments on Aeronautical Tax for the Third Control Period

8.3.1 There were no Stakeholders' comments with respect to aeronautical tax for the Third Control Period.

8.4 Authority's analysis on Stakeholders' comments regarding Aeronautical Tax for the Third Control Period

8.4.1 It is noted that no Stakeholders' comments were received regarding aeronautical taxes for the Third Control Period. However, the Authority also notes that the analysis presented earlier under different regulatory building blocks would have an impact on the aeronautical taxes in the Third Control Period. The Authority has accordingly recalculated the aeronautical taxes for the Third Control Period after considering revised carried forward losses accumulated at the time of true up of Second Control Period amounting to Rs. 3,689.18 lakhs (refer Table 64) and decides to consider the same for the tariff determination process.

Table 120: Aeronautical taxes for the Third Control Period as decided by the Authority

(Rs. in Lakhs)

Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Aero Revenue	A	8,218.35	17,262.26	20,297.46	22,953.20	25,594.10	94,325.37
O&M Expense	B	8,727.70	9,125.05	12,598.43	13,287.51	14,004.39	57,743.07
Interest on Term Loan charged off to P&L	C	21.00	81.02	1,447.85	1,248.98	1,044.27	3,843.12
Depreciation	D	1,024.37	4,061.19	6,640.85	5,754.82	5,036.08	22,517.30
Total Expenditure	E=B+C+D	9,773.07	13,267.27	20,687.13	20,291.30	20,084.73	84,103.50
Profit Before Tax	F=A-E	-1,554.72	3,994.99	-389.67	2,661.90	5,509.37	10,221.87
* Set-off of prior period tax losses	G	-	3,994.99	-	1,638.58	-	5,633.57
PBT after set-off of losses	H=F-G	-	-	-	1,023.32	5,509.37	6,532.69
Tax at 25.17%	I	-	-	-	257.57	1,386.71	1,644.28
Profit After Tax	J=H-I	-1,554.72	3,994.99	-389.67	2,404.33	4,122.66	8,577.59

* Set off computed based on the carry forward losses computed in True up for Second Control Period (refer Table 64)

8.5 Authority's decisions regarding Aeronautical taxation for the Third Control Period

Based on the materials before it and its analysis, the Authority has decided the following with respect to taxation for the Third Control Period:

8.5.1 To consider aeronautical tax as per Table 120 for the Third Control Period.

8.5.2 To true up the aeronautical tax based on actual tax outflow at the end of the Third Control Period.



9. INFLATION FOR THE THIRD CONTROL PERIOD

9.1 AAI's submissions relating to inflation for the Third Control Period

9.1.1 AAI had not made any specific submission on inflation. On perusal of operating expenses and non-aeronautical revenues, it is inferred that AAI has assumed y-o-y increases ranging between 5% and 10% as basis for its projections of Third Control Period.

9.2 Authority's examination on Inflation for the Third Control Period as part of Consultation Paper

9.2.1 The Authority had analyzed AAI's assumptions for projecting operating expenses and non-aeronautical revenues as stated in Para 9.1.1.

9.2.2 In the absence of any details provided by AAI, the Authority had considered the recent inflation forecast by the RBI as per its 69th round of survey of professional forecasters on macroeconomic indicators (released on 07.04.2021). The Authority was of the view that same would be consistent with the recent macroeconomic developments.

9.2.3 Based on the recent inflation forecast by the RBI, the Authority had considered inflation of 4.9%, i.e., the mean WPI inflation forecast for 2021-22 (WPI Non-food Manufactured Products) given in the table below:

Table 121: WPI (non-food manufactured products) as per RBI's 69th round of survey

Items %	FY 21(Q4)	FY 22 (Q1)	FY 22 (Q2)	FY 22 (Q3)	FY 22 (Q4)	Mean
Inflation	5.5	6.2	5.8	4.3	2.6	4.9

9.3 Stakeholders' comments on Inflation for the Third Control Period

9.3.1 There were no Stakeholders' comments with respect to inflation for the Third Control Period.

9.4 Authority's analysis on Stakeholders' comments regarding Inflation for the Third Control Period

9.4.1 It is noted that no Stakeholders' comments were received regarding inflation for the Third Control Period. The Authority has decided to consider inflation based on 69th round of survey of professional forecasters on macroeconomic indicators of RBI, in line with its proposal made in this regard in Consultation Paper No. 26/2021-22. The inflation considered by the Authority is given in detail in Table 121.

9.5 Authority's decision regarding to Inflation for the Third Control Period

Based on the material before it and its analysis, the Authority has decided the following with respect to inflation for the Third Control Period:

9.5.1 To consider inflation of 4.9% for the Third Control Period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI, as per Para 9.2.3.

10. QUALITY OF SERVICE FOR THE THIRD CONTROL PERIOD

10.1 AAI's submissions regarding Quality of Service for the Third Control Period

10.1.1 AAI has not made any submissions related to Quality of Services as part of its MYTP submission.

10.2 Authority's examination on Quality of Service for the Third Control Period as part of Consultation Paper

10.2.1 The Authority had noted that:

- As per section 13 (1) (d) of the AERA Act, 2008 read with AERA (Amendment) Act 2019 and AERA (Amendment) Act 2021, the Authority shall "*monitor the set performance standards relating to quality, continuity and reliability of service as may be specified by the Central Government or any Authority authorized by it in this behalf.*"
- As per section 13(1) (a) (ii), the Authority is required to determine the tariff for aeronautical services taking into consideration "*the service provided, its quality and other relevant factors.*"

10.2.2 The Authority had noted from ACI's website that Pune International Airport has been awarded as the "Best Hygiene Measures" award by region for FY 2020-21 in Asia-Pacific region based on customers review in 2020.

10.2.3 The Authority had noted from AAI's submission that the ACI ASQ survey results for Pune International Airport for the years 2017 to 2021 have been in the range of 4.69 to 4.71 (overall score), as against the average score of AAI Airports which ranges from 4.57 to 4.72. The Authority noted that the ASQ rating awarded to Pune International Airport is close to the average rating of the AAI airport.

10.2.4 Also, the Authority had reviewed the MoU between AAI and MoCA for the FY 2019-20 and noted that the ASQ rating target for the FY 2019-20 was 4.68. The actual ASQ rating achieved by Pune International Airport for the FY 2019-20 was 4.71.

10.2.5 The Authority did not consider any adjustment towards tariff determination for the Third Control Period on account of quality of service maintained by Pune International Airport.

10.3 Stakeholders' comments regarding Quality of Service for the Third Control Period

10.3.1 There were no Stakeholders' comments with respect to Quality of Service for the Third Control Period.

10.4 Authority's analysis on Stakeholders' comments regarding Quality of Service for the Third Control Period

10.4.1 It is noted that no Stakeholders' comments were received regarding Quality of Service for the Third Control Period.

10.5 Authority's decisions regarding to Quality of Service for the Third Control Period

Based on the material before it and its analysis, the Authority has decided the following with respect to Quality of Service for the Third Control Period:

10.5.1 To not consider any adjustment towards tariff determination for the Third Control Period with regards to quality of service as per Para 10.2.2.



AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

II. AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

II.1 AAI's submissions relating to ARR for the Third Control Period

11.1.1 AAI has submitted its MYTP submission for Third Control Period based on which the Aggregate revenue requirement was as follows:

Table 122: Aggregate revenue requirement (ARR) for the Third Control Period as proposed by AAI

(Rs in lakhs)							
Particulars	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB	A	13,039.78	13,519.06	60,811.88	57,203.23	53,274.19	
Closing RAB	B	13,519.06	60,811.88	57,203.23	53,274.19	49,713.07	
Average RAB	C=(A+B)/2	13,279.42	37,165.47	59,007.55	55,238.71	51,493.63	2,16,184.78
FRoR (%)	D	14.00%	12.16%	11.96%	12.28%	12.32%	
Return on RAB	E=C*D	1,859.12	4,519.23	7,055.44	6,782.98	6,341.68	26,558.45
Operating expense	F	10,748.06	11,505.28	16,261.10	17,368.73	18,257.78	74,080.95
Working Capital Interest & Interest on Term Loan	G	185.85	152.86	1,579.17	1,367.87	1,147.12	4,432.86
Depreciation	H	1,231.43	2,747.98	4,261.51	4,293.20	4,289.50	16,823.63
Tax	I	-	-	-	3,180.51	6,415.80	9,596.31
Under recovery of Second Control Period as on 31/3/2022	J	19,959.92					
ARR	K=Sum (E: J)	33,984.37	18,925.35	29,157.23	32,933.29	36,451.87	1,51,452.11
Non-Aeronautical revenue	L	1,817.68	6,834.22	10,868.20	12,217.51	13,794.21	45,551.84
Less: 30% Non-Aeronautical revenue	M=L*30%	545.30	2,050.27	3,260.46	3,671.25	4,138.26	13,665.55
Net Aggregate Revenue Requirement (NARR)	N=K-M	33,439.07	16,875.08	25,896.77	29,262.04	32,313.60	1,37,786.56
Aero Revenue	O	10,833.91	19,251.19	28,770.38	38,929.47	50,272.57	1,48,057.53
Shortfall	P=N-O	22,605.15	-2,376.11	-2,873.61	-9,667.43	-17,958.96	-10,270.96
Present value (PV) rate	Q	14.00%	12.16%	11.96%	12.28%	12.32%	
PV Factor	$R = 1/(1+Q)^{year}$	1.00	0.89	0.80	0.71	0.63	
PV of NARR	S=N*R	33,439.07	15,045.58	20,623.29	20,754.72	20,405.90	1,10,268.55
PV of Aero Revenue	T=O*R	10,833.91	17,164.08	22,911.73	27,611.55	31,747.06	1,10,268.34
Return on Shortfall/(Surplus)	U=P*R	22,605.15	-2,118.51	-2,288.44	-6,856.83	-11,341.16	0.21

11.2 Authority's examination on ARR for the Third Control Period as part of Consultation Paper

11.2.1 Based on the changes considered by the Authority for each building block, and after accounting for the under-recovery of Rs. 9,461.47 Lakhs as on 31st March 2022 as per the true-up calculation, the ARR considered by the Authority for the Third Control Period was given in the table below:



AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

Table 123: Aggregate Revenue Requirement for the Third Control Period proposed to be considered by Authority as part of Consultation Paper

(Rs. in Lakhs)

Particulars	Table Ref	Ref	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Opening RAB	Table 93	A	9,965.04	9,406.79	54,932.28	51,942.10	48,655.97	
Closing RAB	Table 93	B	9,406.79	54,932.28	51,942.10	48,655.97	45,705.28	
Average RAB	Table 93	$C=(A+B)/2$	9,685.91	32,169.53	53,437.19	50,299.04	47,180.62	
ERoR%	Table 102	D	11.63%	11.63%	11.63%	11.63%	11.63%	
Return on RAB		$E=C*D$	1,126.77	3,742.31	6,216.39	5,851.33	5,458.56	22,425.35
Operating expense	Table 109	F	8,467.35	8,757.19	11,792.35	12,363.06	12,922.89	54,302.84
Depreciation	Table 91	G	765.34	2,180.32	3,630.08	3,644.63	3,667.72	13,888.09
Aero Tax	Table 119	H		408.95	-	-	-906.08	1,315.03
Under recovery of Second Control Period as on 31/3/2022	Table 65	I	9,461.47	-	-	-	-	9,461.47
Aggregate revenue requirement (ARR)		$J=Sum (E-I)$	19,820.93	15,088.77	21,638.82	21,859.03	22,985.25	1,01,392.79
Non-Aeronautical revenue	Table 116	K	3,688.18	7,158.94	11,777.86	13,326.58	15,018.87	50,970.43
Less: 30% non-aeronautical revenue		L	1,106.45	2,147.68	3,533.36	3,997.97	4,505.66	15,291.13
Net ARR		$M=J-L$	18,714.47	12,941.09	18,105.47	17,861.05	18,479.58	86,101.66
Discount Rate		N	11.63%	11.63%	11.63%	11.63%	11.63%	
Discount Factor		O	1.00	0.90	0.80	0.72	0.64	
PV of Net ARR		$P=M*O$	18,714.47	11,592.52	14,528.60	12,838.91	11,899.17	69,573.68

11.3 Stakeholders' comments on ARR and Target Revenue for Third Control Period

11.3.1 During the Stakeholders' consultation process, the Authority has received comments/views from stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with



AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

respect to the ARR and Target Revenue for the Third Control Period. The comments by the stakeholders are presented below:

AAI's comments regarding ARR for the Third Control Period

11.3.2 AAI's comments on ARR for the Third Control Period is as follows:

AERA's Contentions

- AERA has proposed shortfall/Surplus to Rs. Nil.
- The Revised Tariff commencement date is set to be 1st April 2022

AAI's Submission

- The Revised Tariff as proposed by AERA is lower than the existing rates.
- After considering all the above changes, the AERA is requested to consider full recovery of ARR.
- AAI agrees with the Tariff Commencement date as proposed by AERA i.e. from 1st April 2022.
- AAI requests AERA to revise the Airport Charges w.e.f. 01.04.2022 after incorporating the submissions of AAI in the full recovery model in Second Control Period & Third Control Period."

11.4 Authority's analysis on Stakeholders' comments regarding ARR for the Third Control Period

11.4.1 The Authority notes AAI's comment on considering full recovery of ARR in the Third Control Period. Additionally, while the Authority notes the importance of releasing tariff orders in a timely manner, the Authority had to take into account the impact of multiple waves of the pandemic into its projections for various building blocks while determining the tariffs at Pune International Airport.

11.4.2 Further, the Authority also notes that the analysis presented under each regulatory building block would have an impact on the aggregate revenue requirement of the Third Control Period. Accordingly, the Authority has recalculated the same as given in the table below:

Table 124: ARR for the Third Control Period decided by the Authority

(Rs. in lakhs)								
Particulars	Table Ref	Ref	FY22	FY23	FY24	FY25	FY26	Total
Opening RAB		A	9,926.75	9,548.78	56,318.62	53,025.93	49,445.01	
Closing RAB	Table 96	B	9,548.78	56,318.62	53,025.93	49,445.01	46,199.57	
Average RAB		C=(A+B)/2	9,737.76	32,933.70	54,672.27	51,235.47	47,822.29	
FRoR%	Table 103	D	11.68%	11.68%	11.68%	11.68%	11.68%	
Return on RAB		E=C*D	1,137.08	3,845.67	6,384.08	5,982.77	5,584.21	22,933.80
Operating expense	Table 111	F	8,727.70	9,125.05	12,598.43	15,287.51	14,004.39	57,743.07
Depreciation	Table 96	G	775.22	2,344.65	3,932.60	3,939.42	3,962.47	14,954.36
Aero Tax	Table 120	H	-	-	-	257.57	1,386.71	1,644.28



AGGREGATE REVENUE REQUIREMENT FOR THE THIRD CONTROL PERIOD

Particulars	Table Ref	Ref	FY22	FY23	FY24	FY25	FY26	Total
Under recovery of Second Control Period as on 31/3/2022	Table 66	I	9,207.59	-	-	-	-	9,207.59
Aggregate revenue requirement (ARR)		J=Sum (E: I)	19,847.59	15,315.37	22,915.11	23,467.26	24,937.77	1,06,483.10
Non-Aeronautical revenue	Table 117	K	3,226.27	7,448.19	12,334.77	13,886.65	15,580.98	52,476.86
Less: 30% non-aeronautical revenue		L	-967.88	2,234.46	3,700.43	4,165.99	4,674.29	15,743.06
Net ARR		M=J-L	18,879.71	13,080.91	19,214.68	19,301.26	20,263.48	90,740.05
Discount Rate	Table 103	N	11.68%	11.68%	11.68%	11.68%	11.68%	
Discount Factor		O	1.00	0.90	0.80	0.72	0.64	
PV of Net ARR		P=M*O	18,879.73	11,713.17	15,406.56	13,857.81	13,027.44	72,884.71
*Passengers (in millions)	Table 71	Q	43.49					
Yield per passenger		R=P/(Q*10)	167.58					

*Total Pax

11.5 Authority's decisions regarding to ARR for the Third Control Period

Regarding Aggregate Revenue Requirement, the Authority has decided the following with respect to ARR for the Third Control Period:

- 11.5.1 To compute the aggregate revenue requirement for the Third Control Period as per Table 124.
- 11.5.2 To true up all the building blocks on actual basis in the tariff determination of the next control period.



AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

12. AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

12.1 AAI's submissions relating to Aeronautical Revenue for the Third Control Period

- 12.1.1 AAI has proposed to consider a YoY increase in Aeronautical Revenues based on the growth rates in Traffic as proposed by AAI for all the traffic related revenues i.e., Parking & Housing, UDF, Ground handling and CUTE revenues.
- 12.1.2 For revenues based on agreements i.e., Land lease from oil companies and from ground handling agencies, AAI proposed to consider the same revenue of FY 2020-21 for FY 2021-22, and a 7.5% growth increase YoY from FY 2022-23.
- 12.1.3 AAI has proposed to consider the aeronautical tariffs as applicable from 1st October 2021 as per below schedule:
- **Parking & Housing Charges-** An increase of 40% in the charges per ATM from existing rates w.e.f. 01.10.2021 and a 10% YoY increase thereafter until 31.03.2025. For the FY 2025-26, AAI has proposed an increase of 9% in rates from FY 2024-25 levels.
 - **UDF –** AAI proposed the following growth rates in UDF from the existing rates of Rs. 400 (Domestic) and Rs. 793 (International) for the Third Control Period.

Table 125 : Increase in UDF rates as proposed by AAI

From	1-Oct-21	1-Apr-22	1-Apr-23	1-Apr-24	1-Apr-25
To	31-Mar-22	31-Mar-23	31-Mar-24	31-Mar-25	31-Mar-26
Domestic UDF	30%	25%	20%	18%	15%
International UDF	30%	25%	20%	18%	14%

- 12.1.4 AAI has submitted the revenues from aeronautical services for the Third control Period based on the above revisions as follows:

Table 126: AAI's submission of aeronautical revenue for the Third Control Period

Particulars	(Rs in Lakhs)					
	FY22	FY23	FY24	FY25	FY26	Total
Parking & Housing	26.11	40.24	53.11	64.35	76.10	259.91
UDF						
Domestic	9770.40	17,883.19	26,824.78	36,339.53	46,805.32	137623.22
International	60.19	211.77	508.25	1,019.56	1,744.97	3544.75
Total UDF	9830.59	18094.96	27333.04	37359.09	48550.29	141167.97
Ground Handling	279.32	335.38	402.45	443.28	480.95	1941.39
CUTE	358.82	467.80	586.84	677.92	762.86	2854.24
Land lease from Oil companies	117.31	76.84	143.74	117.31	117.31	572.51
Land lease from Ground Handling	159.42	167.39	175.76	184.55	193.78	880.90
AAICLAS	62.34	68.58	75.44	82.98	91.28	380.62
Total Aero revenues	10,833.91	19,251.19	28,770.38	38,929.47	50,272.57	1,48,057.53



AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

12.2 Authority's examination relating to Aeronautical Revenue for the Third Control Period as part of Consultation Paper

12.2.1 The Authority had evaluated the Aggregate Revenue Requirement and the Aeronautical Revenues that would be necessary to meet the Aggregate Revenue Requirement.

12.2.2 The Authority had considered to reduce the tariff rates to meet ARR due to following reasons:

- Aeronautical tariff (UDF & Parking Charges etc.) was revised in the Second Control Period by the Authority with effect from 1st December 2017 after considering the revenues at the then prevailing tariff till November 2017 (Domestic UDF revised from Rs. 77 to Rs. 350 and International UDF from Rs. 77 to Rs. 700). The Authority noted that the rates of UDF & Parking Charges were increased significantly from 1st December 2017 to compensate for the lower tariff that were prevailing till November 2017.
- The Authority had noted that the passenger traffic has been impacted due to Covid-19 pandemic in FY 2020-21 which has resulted in decrease in revenue as compared to the estimate made during the Second Control Period.
- The Authority had estimated traffic of 43.45 million for the Third Control Period after due consideration of the various studies conducted by international bodies, as against the AAI submission of 33.89 million.

12.2.3 On considering the above factors, in Authority's estimation, a reduction in Tariff was necessitated to meet the ARR requirement as proposed by the Authority. The Authority had accordingly re-evaluated the change in rate, as below, considering that the existing rates would continue till 31st March 2022.

12.2.4 The Authority had considered the aeronautical tariffs as applicable from 1st April 2022 as per below schedule:

- **Parking & Housing Charges-** A decrease in Parking charges (Domestic/International) by 14.98 % from existing rates w.e.f. 01.04.2022. Housing Charges are proposed to be categorized as parking charges.
- **UDF – Domestic UDF** at Rs.340 per embarking passenger (decrease of 14.98% from existing rate of Rs. 400) and, **International UDF** at Rs. 750 per embarking passenger (decrease of 5.42% from existing rate of Rs 793) with effect from 01.04.2022.

12.2.5 Based on the above analysis, the Aeronautical revenues considered by the Authority for the Third Control Period is as follows:

Table 127: Aeronautical Revenue proposed to be considered by the Authority for Third Control Period as part of Consultation Paper

Particulars	(Rs. in Lakhs)					
	FY22	FY23	FY24	FY25	FY26	Total
Total PV of ARR including true-up (A)					69,573.68	69,573.68
Parking charges(B)	21.73	27.42	31.35	35.14	38.93	154.57
Other revenues:						
Ground Handling	278.94	413.98	473.27	530.54	587.80	2,284.52
CUTE	330.07	489.86	560.01	627.78	695.55	2,703.26
Land lease from Oil companies	117.31	76.84	143.74	117.31	117.31	572.51



AERONAUTICAL REVENUE FOR THE THIRD CONTROL PERIOD

Particulars	FY22	FY23	FY24	FY25	FY26	Total
Land lease from Ground handling	159.42	171.38	184.23	198.05	212.90	925.97
Rent from space let out to Airlines	245.18	263.57	283.33	304.58	327.43	1,424.08
Revenue from AAICLAS	62.34	68.58	75.44	82.98	91.28	380.62
Sub-total (Other revenues)- C	1,193.25	1,484.20	1,720.02	1,861.23	2,032.27	8,290.97
UDF						
Domestic	10,781.38	13,479.78	15,636.54	17,793.31	19,950.07	77,641.08
International	144.20	444.73	592.97	610.76	628.55	2,421.20
Total UDF- D	10,925.58	13,924.51	16,229.52	18,404.06	20,578.62	80,062.28
Total revenue (E=B+C+D)	12,140.56	15,436.13	17,980.89	20,300.44	22,649.81	88,507.82
PV factor (F) (taken from Table-123)	1.00	0.90	0.80	0.72	0.64	
PV of total revenue [G = E*F]	12,140.56	13,827.54	14,428.64	14,592.40	14,584.55	69,573.68
Total PV of revenue [H = (Σ G)]					69,573.68	69,573.68
(Surplus) / Shortfall [A - G]					0.00	0.00

12.3 Stakeholders' comments on Aeronautical Revenue for Third Control Period

12.3.1 During the stakeholders' consultation process, the Authority has received comments/views from stakeholders in response to the proposals of the Authority in Consultation Paper No. 26/2021-22 with respect to aeronautical revenue for the Third Control Period. The comments by the stakeholders are presented below:

Other Stakeholders' comments regarding Aeronautical Revenue for the Third Control Period

12.3.2 FIA's comments on Tariff/Government Restrictions for the Third Control Period are as follows:

- *"Overall Tariff: While AERA has proposed a decrease of approx. 15 % in the Parking Charges and UDF for the aforementioned charges. However, keeping in view the adverse impact caused to the airline due to the COVID-19 pandemic, we are of the view that there should be a further reduction in the existing charges, considering our submissions & recommendation mentioned above, we can bring the tariff levels down. AERA may appreciate that it is in the interest of all stakeholders to reduce tariffs in order to encourage middle class people to travel by air, which will help in sharp post-COVID-19 recovery of aviation sector.*
- *UDF Charges: As per para 15.2.2, Annexure - II of the Consultation Paper, rate of collection of UDF charges has not been clarified. We understand that such rate of Collection Charges (being clarified in other Consultation Papers is Rs. 5 (Rupees five only) per departing passenger. We request that the same is clarified in the Tariff Order for Pune Airport. We further request that the Collection Charges, the entitlement for airlines, should be against AAI having received the 'undisputed' invoiced UDF amount with the applicable due date"*

12.4 AAI's response to Stakeholders' comments regarding Aeronautical Revenue for the Third Control Period

12.4.1 AAI's response to FIA's comment on Tariff/Government Restrictions for the Third Control Period are as follows

- *"Overall Tariff: The financial condition of AAI during the Covid-19 Pandemic has deteriorated to a great extent. AAI has incurred a loss of Rs. 1962 Crores (approx.) in F.Y. 2020-21. AAI has resorted to borrowing*



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from market to finance its capital as well as opex. Although it is expected that the Aviation sector is likely to bounce back to Pre-Covid level by F.Y. 2023-24, yet for AAI's current survival, it is required to improve cash flows. Under the present situation there is no hope to augment Non-aeronautical revenue.

- **Collection Charges:** Policy referred to with respect to collection charges: Rs.5/- plus GST per passenger will be paid by AAI to the Airline Operators if they make the payment within 15 days from the receipt of the invoice. No collection charges shall be paid in case the airline fails."

12.5 Authority's analysis on Stakeholders' comments regarding ARR for the Third Control Period

12.5.1 The Authority notes FIA's comment and AAI's response thereon regarding Overall tariff and Collection charges. The analysis for the same are as follows.

- **Overall Tariff:** The Authority states that the framework for tariff determination is provided in the Guidelines 2011 and relevant orders issued by the Authority. Based on these principles, the aggregate revenue requirement is computed, and the tariff is accordingly fixed. The Authority has to play a pivotal role in the event of this unprecedented pandemic scenario to balance the expectations of various stakeholders which include both the airport operator as well as the airport users. It may be noted that through detailed analysis of various regulatory blocks, it is ensured that all capex and opex costs considered are those which are necessary and essential for the airport operations. All avenues where any spend can be postponed without affecting the operations of the airport have been explored and deferment of such spend has been implemented. In view of this, the Authority decides to fix the tariff in a manner that the entire aggregate revenue requirement of Pune for the Third Control Period is fully recovered.
- **Regarding Collection Charges:** The Authority notes FIA's comment and AAI's response thereon regarding collection charges. The Authority is of the opinion that collection charges are a policy matter between the Airport Operator and airlines and that the Authority does not intervene in matters related to the daily operations at airports.

12.5.2 The Authority notes that the analysis of all stakeholders' comments and changes decided by the Authority in other regulatory building blocks would have an impact in computing the aeronautical revenue for the Third Control Period. Thus, the Authority, after considering the above, has recomputed the aeronautical revenue decided for the Third Control Period. The same is detailed in the table as follows:

Table 128: Aeronautical Revenue for the Third Control Period decided by the Authority

Particulars	(Rs. in Lakhs)					Total
	FY22	FY23	FY24	FY25	FY26	
Total PV of ARR including true-up (A) (Table 124)			72,884.71			72,884.71
Parking charges (B)	59.54	102.77	118.14	132.43	146.73	559.61
Other revenues:						
Ground Handling-Revenue share (i)	230.55	411.69	473.27	530.54	587.80	2,233.84
CUTE (ii)	303.43	674.20	787.67	894.88	1,002.08	3,662.27
Land lease from Oil companies (iii)	73.46	76.84	143.74	117.31	73.46	484.81
Land lease from Ground handling (iv)	159.42	171.38	184.23	198.05	212.90	925.97
Rent from space let out to Airlines (v)	109.50	117.71	126.54	136.03	146.23	635.99
Revenue share from AAICLAS (vi)	66.81	73.49	80.84	88.92	97.31	407.86



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Particulars	FY22	FY23	FY24	FY25	FY26	Total
Sub-total (Other revenues)- C = Sum (i to vi)	943.16	1,525.30	1,796.28	1,965.71	2,120.29	8,350.75
UDF						
Domestic	7,198.00	15,339.68	17,794.03	20,248.37	22,702.72	83,282.80
International	17.64	294.51	589.02	606.58	624.35	2,132.21
Total UDF- D	7,215.64	15,634.18	18,383.05	20,855.06	23,327.08	85,415.01
Total revenue (E=B+C+D)	8,218.35	17,262.26	20,297.46	22,953.20	25,594.10	94,325.37
Discount factor (F)	1.00	0.90	0.80	0.72	0.64	
PV of total revenue [G = E*F]	8,218.35	15,457.29	16,274.75	16,479.80	16,454.51	72,884.71
Total PV of revenue [H = (Σ G)]			72,884.71			72,884.71
(Surplus) / Shortfall [A - G]			0.00			0.00

12.5.3 As can be observed from the above table and as per the decision of the Authority on various building blocks, AAI is recovering complete ARR with the shortfall of Second Control Period true up.

12.5.4 The Authority has decided to consider the below aeronautical tariffs to be applicable from 1st April 2022:

- Parking & Housing Charges - A decrease in Parking charges (Domestic/International) w.e.f. 01.04.2022 by 3.35 % from existing rates as decided by the Authority in Second Control Period Order. Housing Charges are proposed to be categorized as parking charges.
- UDF – Domestic UDF at Rs. 387 per embarking passenger (decrease of 3.25% from existing rate of Rs. 400) and International UDF at Rs. 745 per embarking passenger (decrease of 6.05% from existing rate of Rs 793) with effect from 01.04.2022.

12.6 Authority's decisions regarding to Aeronautical Revenue for the Third Control Period

Based on the materials before it and its analysis, the Authority has decided the following with respect to aeronautical revenue for the Third Control Period

12.6.1 To consider the aeronautical revenues as provided in Table 128.

12.6.2 To true up aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.



13. SUMMARY OF AUTHORITY'S DECISIONS

The section below provides a summary of the Authority's decisions relating to relevant chapters regarding tariff determination for the Third Control Period.

Chapter 2: True up of Second Control Period

- 2.12.1 To consider Passenger and ATM traffic as detailed in Table 9 for true up of the Second Control Period.
- 2.12.2 To consider aeronautical revenue as detailed in Table 14 for the purpose of true-up of the Second Control Period.
- 2.12.3 To consider aeronautical depreciation as detailed in Table 36 for true-up of the Second Control Period.
- 2.12.4 To consider Average RAB as presented in Table 40 for true-up of the Second Control Period.
- 2.12.5 To consider FRoR as per Table 43 for the purpose of true-up of the Second Control Period
- 2.12.6 To consider aeronautical operating expenses as per Table 54 for the purpose of true-up of the Second Control Period.
- 2.12.7 To consider non aeronautical revenue as per Table 60 for the purpose of true-up of the Second Control Period
- 2.12.8 To consider aeronautical tax as mentioned in Table 64 for the purpose of true-up of the Second Control Period.
- 2.12.9 To consider ARR and shortfall as calculated in Table 66 for the Second Control Period which is proposed to be recouped in the tariff determination for the Third Control Period.

Chapter 3: Traffic for the Third Control Period

- 3.5.1 To consider traffic as set out in Table 71 for Third Control Period considering the effect of COVID 19 Pandemic.
- 3.5.2 To true up the traffic based on actual numbers for the Third Control Period at the time of determination of tariff for the next control period.

Chapter 4: Regulatory asset base and depreciation for the Third Control Period

- 4.9.1 To readjust (reduce) 1% of the uncapitalized portion of the project cost from the ARR/target revenue in case any particular capital project is not capitalized as per the capitalization schedule approved in the tariff order as per para 4.8.3 during true up of the Third Control period.
- 4.9.2 To consider terminal building ratio of 90:10 for capital additions pertaining to the Third Control Period.
- 4.9.3 To not allow financing allowance for capital additions in the Third Control Period as per Para 4.2.18.
- 4.9.4 To true up the total aeronautical asset addition given in Table 94 for the Third Control Period.
- 4.9.5 To consider aeronautical depreciation in the Third Control Period as per Table 95.
- 4.9.6 To true up the depreciation of the Third Control Period based on the actual asset additions and the actual date of capitalization during the tariff determination of the Fourth Control Period.
- 4.9.7 To consider the RAB for the Third Control Period as per Table 96.



4.9.8 To true up the RAB for the Third Control Period based on actuals, at the time of determination of tariff for the Fourth Control Period.

Chapter 5: Fair rate of return for the Third Control Period

5.6.1 To consider the cost of equity at 14.00% as per Table 101.

5.6.2 To consider the cost of debt at 6.21% as per Table 100.

5.6.3 To consider FROr of 11.68% for the Third Control Period as per Table 103.

5.6.4 To true up the actual cost of debt and resultant FROr during the tariff determination exercise for the Fourth Control Period.

Chapter 6: Operating Expenses for the Third Control Period

6.6.1 To consider Aeronautical operating expenditure as detailed in Table 111 for the Third Control Period.

6.6.2 To true up the Operating Expenses for the Third Control Period based on actuals and evaluation of reasonableness during the tariff determination of the Fourth Control Period.

Chapter 7: Non-aeronautical revenues for the Third Control Period

7.6.1 To consider the Non-Aeronautical Revenues for Third Control Period as proposed in Table 117.

7.6.2 To true up Non-Aeronautical Revenue based on actual revenues for Third Control Period and its reasonableness at the time of determination of tariffs for Fourth Control Period.

Chapter 8: Taxation for the Third Control Period

8.5.1 To consider aeronautical tax as per Table 120 for the Third Control Period.

8.5.2 To true up the aeronautical tax based on actual tax outflow at the end of the Third Control Period.

Chapter 9: Inflation for the Third Control Period

9.5.1 To consider inflation of 4.9% for the Third Control Period based on the mean WPI inflation forecast for FY 2021-22 given in the 69th round of survey of professional forecasters on macroeconomic indicators of RBI, as per para 9.2.3.

Chapter 10: Quality of Service for the Third Control Period

10.5.1 To not consider any adjustment towards tariff determination for the Third Control Period with regards to quality of service as per Para 10.2.2.

Chapter 11: ARR and Target Revenue for the Third Control Period

11.5.1 To determine the aggregate revenue requirement and shortfall for the Third Control Period to be as detailed in Table 124.

11.5.2 To true up of all building blocks on actual basis in the tariff determination of the next control period.

Chapter 12: Aeronautical Revenue for the Third Control Period

12.6.1 To consider the aeronautical revenues as provided in Table 128.

12.6.2 To true up aeronautical revenue based on actual numbers for the Third Control Period at the time of determination of tariff for the Fourth Control Period.



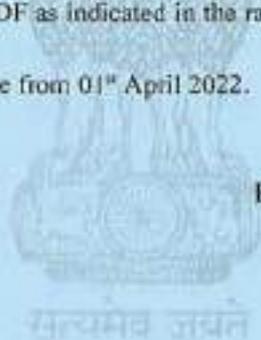
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14. ORDER

- 14.1.1 In exercise of powers conferred by Section 13(1)(a) of the AERA Act, 2008 read with AERA (Amendment) Act 2019 and AERA (Amendment) Act 2021 and based on the above decisions, the Authority hereby determines the aeronautical tariffs to be levied at Pune International Airport, Pune for the Third Control Period (01st April 2021 to 31st March 2026) as seen in Annexure I to the Order.
- 14.1.2 In exercise of powers conferred by Section 13(1)(b) of AERA Act, 2008 read with AERA (Amendment) Act 2019 and AERA (Amendment) Act 2021, read with Rule 89 of the Aircraft Rules, 1937, the Authority hereby determines the rate of UDF as indicated in the rate card at Annexure I to the Order effective from the current Control Period.
- 14.1.3 This tariff order shall be effective from 01st April 2022.

By the order of and in the name of the Authority



(Col. Manu Sooden)
Secretary

To,

The Chairman
Airports Authority of India
Rajiv Gandhi Bhawan
Safdarjung Airport
New Delhi - 110003

Copy to:

1. Secretary, Ministry of Civil Aviation
Rajiv Gandhi Bhawan,
Safdarjung Airport,
New Delhi - 110003
2. Directorate General of Civil Aviation-for issuance of AIC



15. ANNEXURES

15.1 Annexure I: Annual Tariff Card approved by the Authority for the Third Control Period

15.1.1 The Authority examined the Annual Tariff Proposal submitted by Airports Authority of India. After examination and based on decisions as listed in Chapter 13, the Authority has decided the following aeronautical tariff for Pune International Airport for the Third Control Period:

Parking charges (*) up to two hours after free hours for the Third Control Period decided by the Authority

Weight of the Aircraft	FY 22 (existing rate)	Tariff w.e.f. 01.04.2022 to 31.03.2026
Up to 25 MT	Rs. 3.30 per MT	Rs. 3.19 per MT
Above 25 MT up to 50 MT	Rs. 82.5 plus Rs. 4.6 per MT in excess of 25 MT	Rs. 79.75 plus Rs. 4.45 per MT in excess of 25 MT
Above 50 MT up to 100	Rs. 197.5 plus Rs. 8.9 per MT in excess of 50 MT	Rs. 191.00 plus Rs. 8.60 per MT in excess of 50 MT
Above 100 MT up to 200	Rs. 642.5 plus Rs. 11.2 per MT in excess of 100 MT	Rs. 621.00 plus Rs. 10.82 per MT in excess of 100 MT
Above 200 MT	Rs. 1,762.5 plus Rs. 12.4 per MT in excess of 200 MT	Rs. 1,703.00 plus Rs. 11.98 per MT in excess of 200 MT

*Housing charges subsumed within Parking Charge

Parking charges beyond first four hours for the Third Control Period decided by the Authority

Weight of the Aircraft	FY 22 (existing rate)	Tariff w.e.f. 01.04.2022 to 31.03.2026
Up to 25 MT	Rs. 6.70 per MT	Rs. 6.48 per MT
Above 25 MT up to 50 MT	Rs. 167.50 plus Rs. 8.9 per MT in excess of 25 MT	Rs. 162.00 plus Rs. 8.60 per MT in excess of 25 MT
Above 50 MT up to 100	Rs. 390.00 plus Rs. 18 per MT in excess of 50 MT	Rs. 377.00 plus Rs. 17.40 per MT in excess of 50 MT
Above 100 MT up to 200	Rs. 1,290.00 plus Rs. 22.5 per MT in excess of 100 MT	Rs. 1,247.00 plus Rs. 21.75 per MT in excess of 100 MT
Above 200 MT	Rs. 3,540.00 plus Rs. 24.8 per MT in excess of 200 MT	Rs. 3,422.00 plus Rs. 23.97 per MT in excess of 200 MT

Notes:

- No parking charges shall be levied for the first two hours. While calculating free parking period, standard time of 15 minutes shall be added on account of time taken between touch down time and actual parking time on the parking stand. Another standard time of 15 minutes shall be added on account of taxing time of aircraft from parking stand to take off point. These periods shall be applicable for each aircraft irrespective of actual time taken in the movement of aircraft after landing and before take-off.



- ii. For calculating chargeable parking time, part of an hour shall be rounded off to the nearest hour.
- iii. Charges shall be calculated based on nearest MT.
- iv. Charges for each period parking shall be rounded off to nearest rupee.
- v. At the in-contact stands and open stands, after free parking, for the next two hours normal parking charges shall be levied. After this period, the charges shall be double the normal parking charges
- vi. It is proposed to waive off the night parking charges in principle for all domestic scheduled operators at Pune International Airport if the State Government has brought the rate of tax (VAT) on ATF < 5%. The above waiver of night parking charges (between 2200 hrs. to 0600 hrs.) will be made applicable from the date of implementation of < 5% tax on ATF by the State Govt. In the event of upward revision in the tax rate of ATF by the State Govt., the relief of free night parking charges will also be deemed to be withdrawn.
- vii. Flight operating under Regional Connectivity Scheme will be completely governed by AIC issued on this subject by DGCA.
- viii. For unauthorized overstay of aircraft an additional charge of Rs. 20.00 per hour per MT beyond 24 hours is to be payable.

User Development Fees for the Third Control Period decided by the Authority

Passenger (in Rs.)	UDF (per Embarking Passenger) for tickets issued till 31 st March 2022	UDF (per Embarking Passenger) for tickets issued from 1 st April 2022 to 31 st March 2026
Domestic	400	387
International	793	745

Notes:

UDF Collection:

- a) UDF Collection Charges: If payment is made within 15 days from receipt of invoice, then collection charges per departing passenger shall be paid by AAI as per the policy pertaining to such charges between the Airport Operator and the airlines. No collection charges shall be paid in case the airline fails to pay the UDF invoice to AAI within the credit period of 15 days or in case of any part payment.
 - b) No collection charges are payable to casual operator/non-scheduled operators.
 - c) For calculating the UDF in foreign currency, the RBI conversion rate as on the last day of the previous month for tickets issued in the 1st fortnight and rate as on 15th of the month for tickets issued in the 2nd fortnight shall be adopted.
 - d) No UDF will be levied for Transit Passengers.
 - e) Revised UDF charges will be applicable on tickets issued on or after 1st April 2022
- 15.1.2 **Aviation Security Fee (ASF):** Will continue to be charged as per rate and exemptions as prescribed by MoCA from time to time.



15.1.3 Exemption from levy and collection from UDF at the Airports:

The Ministry of Civil Aviation, Govt. of India vide order no. AV.16011/002/2008-AAI & vide Letter no. AV.13024/659/2015-AS dated 30.11.2011 & 13.06.2019 respectively has directed AAI to exempt the following categories of persons from levy and collection of UDF.

- a) Children (under the age of 2 years);
- b) Holders of Diplomatic Passport,
- c) Airlines crew on duty including sky marshals & airline crew on board for particular flight only (this would not include Dead Head Crew, or ground personnel),
- d) Persons travelling on official duty on aircraft operated by Indian Armed Forces,
- e) Persons traveling on official duty for United Nations Peace Keeping Missions.
- f) Transit/transfer passengers (this exemption may be granted to all the passengers transiting up to 24 hrs. "A passenger is treated in transit only if onward travel journey is within 24 hrs. from arrival into airport and is part of the same ticket, in case 2 separate tickets are issued it would not be treated as transit passenger"),
- g) Passengers departing from the Indian airports due to involuntary re-routing i.e., technical problems or weather conditions

15.1.4 GENERAL CONDITION:

- a) All the above Charges are excluding GST. GST at the applicable rates are payable in addition to above charges.
- b) Flights operating under Regional Connectivity Scheme will be completely exempted from charges as per Order No. 20/2016-17 dated 31/03/2017 of the Authority from the date the scheme is operationalized by GOI.



15.2 Annexure II: Capital expenditure not approved in Second Control Period Order but incurred by AAI, decided to be considered by the Authority (para 2.4.11-H)

(Rs. in Lakhs)

Asset Name	Description of the Assets	Amount
Assets above Rs. 40 Lakhs		
Plant & Machinery	Apron Drive Glass Walled Passenger Board	1,166.13
Plant & Machinery	CUTE (8), CU55 (12) Keyboard, Scanner (30)	190.34
Vehicles	Mini Remote Operated Vehicle	178.03
Building -Others	Renovation of Toilet Block in TB	169.57
Plant & Machinery	SITC of SCCTV System At 7 Airports	147.69
Solar Power Plant	SITC of 300 KWP Solar PV Plant at Pune	108.57
Electrical Installation	Provision of 560 TR Standby Water Chilling Plant	96.05
Plant & Machinery	SITC of Upgradation of CCTV	68.42
Building -Others	Hard Standing of Area Along VIP Entry Road	67.57
XBIS (X-RAY BAGGAGE)	Procurement & Installation of X-Ray Machine	65.88
Furniture & Fixtures - Other than Trolley	Provision of Way-Finding Signage	63.47
Plant & Machinery	SITC of E Gate	61.87
Building -Others	SITC of Public Electronics Toilet	50.98
Plant & Machinery	Apron & Link Taxi Track, GLF Work	47.87
Plant & Machinery	Dynamic Signage for Immigration Counter	41.72
Total (A)		2,524.16
Assets Below Rs. 40 Lakhs		
Furniture & Fixtures - Other than Trolley	Fixing/Installation of Artwork (Idols)	39.29
Plant & Machinery	SITC of CCTV Cameras	37.02
Building -Others	Modification to Old Sub-Station building to Accommodate AAI/Airlines	36.75
Electrical Installation	Provision of Reversible Type Escalator and Staircase	36.61
Computer & Peripheral- Server and Networks	Supply of CCTV Servers at Pune	36.26
Tools & Plant	Supply of Human Life Detectors 15WR-Pune	35.49
Plant & Machinery	Replacement of Retro Fitting of Existing	34.66
Building-Terminal	Expansion of SHA First Floor Towards East Side	32.66
Tools & Plant	RB Nuctech	31.43
Tools & Plant	RB Nuctech	31.43
Tools & Plant	RB Nuctech	31.43
Tools & Plant	RB Nuctech	31.42
Tools & Plant	RB Nuctech	31.42
Tools & Plant	RB Nuctech	31.42
Plant & Machinery	Supply of Bomb Suit	30.40
Furniture & Fixtures - Other than Trolley	Supply of 3-Seater Chair	30.16
Building -Others	Modification to Parking Shed & Canopy	27.94
Furniture & Fixtures Trolley	Supply of Passenger Baggage Trolleys	26.53
Furniture & Fixtures - Other than Trolley	Provision of Addl. 3-Seater in Passenger Area	26.06
Computer & Peripheral- End User	Provision of 10KVA Online Ups	25.97
Plant & Machinery	Supply of Explosive Vapour Detector	23.23
Building -Others	Construction of Connecting Corridor to Link SHA I	22.06



ANNEXURES

Asset Name	Description of the Assets	Amount
Plant & Machinery	Procurement of 230 PBT for Pune	20.34
Tools & Plant	HB Nucitech	20.26
Tools & Plant	HB Nucitech	20.26
Tools & Plant	HB Nucitech	20.26
Tools & Plant	HB Nucitech	20.25
Tools & Plant	HB Nucitech	20.25
Tools & Plant	HB Nucitech	20.25
Tools & Plant	HB Nucitech	20.25
Furniture & Fixtures - Other than Trolley	Provision of Immigration Counter (Wooden Counters) In TB	20.22
Electrical Installation	Replacement of Energy Efficient Flood Light Fitting	19.61
Furniture & Fixtures - Other than Trolley	Provision of Check in Counter in TB	18.52
Furniture & Fixtures - Trolley	Passenger Baggage Trolley 200 Nos.	17.69
Electrical Installation	SITC of Switches for CCTC	17.53
Plant & Machinery	Real Time Viewing System (RTVS)	16.44
Plant & Machinery	SITC of CCTV Workstation at Pune	14.63
Plant & Machinery	SITC of DFMD	13.87
Plant & Machinery	SITC & Integration of Fids Displays at Pune	13.70
Plant & Machinery	SITC of Explosive Trace Detector - ETD.	13.61
Plant & Machinery	SITC of ETD	13.56
Furniture & Fixtures - Other than Trolley	Placing in Position Furniture and Ladies Frisking	13.49
Electrical Installation	Provision of Elevator for Restaurant	13.40
Plant & Machinery	Check In Information Display System SITC of Cods	13.23
Vehicle (Car/Jeep)	Purchase of Innova Crysta MH 12QF4103	13.03
Vehicles	Supply of BDDS Vehicles MH 12RN 6659	12.63
Building -Others	Provision of Passenger Shed in Parking 2 Area	12.23
Vehicles	Purchase of Ambulance at Pune International Airport	11.33
Furniture & Fixtures - Other than Trolley	Provision of Counter at Terminal Building	10.89
Plant & Machinery	Procurement of Digital Signage with Kiosk	10.52
Building -Terminal	Connection of SHA-I & SHA-II at First Floor Level	10.24
Building -Others	Supply of 2Nos. Portable Shelter	9.74
Electrical Installation	Provision of Elect and A/C Work of CCTV Server & Ups	9.23
Runways, Taxiways, Aprons- Freehold	Recarpeting of Airside Operational Area	8.98
Computer & Package -Intangible Assets	Supply of Battery-Operated Golf Cart	8.73
Furniture & Fixtures - Other than Trolley	Provision of office Furniture for offices At Conference	8.54
Computer & Peripheral- End User	SITC of CCTV Display at Pune	8.41
Plant & Machinery	S/O Search Kit Magnifying	8.39
Building -Others	Provision of Granite Adjacent to Bollards at City Side	8.04
Computer & Peripheral- End User	Provision of UPS for Emergency Lighting in TB	7.28
Furniture & Fixtures - Other than Trolley	Provision of Dustbin (Movable)	6.74
Road	Provision of Paver Blocks for Area Between Road and Dra	6.65
Vehicle (Car/Jeep)	Purchase of Toyota Etios: MH 12QF4049	6.52



ANNEXURES

Asset Name	Description of the Assets	Amount
Computer & Package -Intangible Assets	MSG-STD-2019 MS Office	6.33
Computer & Peripheral- End User	SITC of Two Nos of 10KYA Ups	5.59
Plant & Machinery	SITC of Additional Fids Displays	5.49
Plant & Machinery	Victim location Equipment Breaching System 15WR-Pune	5.39
Building -Others	Renovation of Toilet Block in TB	5.19
Furniture & Fixtures - Other than Trolley	Vertical Wall Garden in Iron Frame & Placed in TB	5.13
Plant & Machinery	Provision of Drinking Water Fountain in TB	4.64
Furniture & Fixtures - Other than Trolley	Provision of Furniture for Project office	4.49
Plant & Machinery	SITC of Touch Screen Kiosk for First Bag Last Bag	4.39
Vehicle (Car/Jeep)	Janova Crysta - Registration Charges	4.15
Computer & Peripheral- End User	Purchase of Laptops - Qty 7 Nos.	4.05
Plant & Machinery	Provision of Drinking Water Fountain at Pune International Airport	3.28
Computer & Peripheral- End User	Proc. of Dell Monitors for E-gate	3.12
Plant & Machinery	SITC of Mobile Operated Remote-Control Module	2.97
Other office Equipment	SITC of Ent TVS at Pune	2.85
Plant & Machinery	Procurement of Video Conferencing System	2.81
Electrical Installation	PRVN. of Air Circulator Fans	2.70
Computer & Peripheral- End User	Supply of Desktop Computers	2.61
Furniture & Fixtures - Other than Trolley	SS Dustbins at Terminal Building	2.34
Plant & Machinery	Chemical Neutralization Extinguisher 1Kg 5Nos	2.10
Electrical Installation	Supply of Multi Cable Winch	2.10
Furniture & Fixtures - Other than Trolley	Provision of Furniture for Staff Canteen	2.05
Other office Equipment	Purchase of Printers Without Fax	1.64
Other office Equipment	S/O Biometric Attendance	1.63
Plant & Machinery	SITC of Movable TV Stand	1.59
Computer & Peripheral- End User	Supply, Inst. Testing & Comm. of Computers & IT	1.55
Vehicle (Car/Jeep)	Toyota Etios - Registration Charges	1.48
Computer & Peripheral- End User	S/O Hp400G4 MT 17 Desktop for Finance	1.42
Computer & Peripheral- End User	Supply of Computers	0.95
Computer & Package -Intangible Assets	Supply of MS Office 2016 At Pune	0.84
Electrical Installation	Portable Generator 01No For Disaster Management	0.83
Electrical Installation	Emergency Lighting System 15Wr-Pune	0.69
Tools & Plant	Micro Go Hand Sanitizer.	0.67
Computer & Peripheral- End User	HP450 G5 17 Laptop	0.67
Computer & Peripheral- End User	Supply of A3 MFP 5024 Printer	0.59
Furniture & Fixtures - Other than Trolley	SITC of N/W Rack for CCTV	0.51
Computer & Peripheral- End User	Purchase of Printer with Fax	0.49
Vehicles	TVS Star City MH 12 RG3462; MH12 RG 3462	0.44
Computer & Package -Intangible Assets	S/O MS Office 2016 STD for Finance	0.41
Tools & Plant	Supply of Explosive Detection & Identification Spray Kit	0.40
Computer & Peripheral- End User	Supply of HP MFP M177 Printer	0.36



ANNEXURES

Asset Name	Description of the Assets	Amount
Furniture & Fixtures - Other than Trolley	Provision of office Furniture for Offices at conference	0.36
Plant & Machinery	Procurement of Samsung Display for VC at Pune	0.31
Computer & Package-Intangible Assets	S/O MS Office Home & Business 2016 for Civil	0.28
Computer & Peripheral- End User	Supply of Numeric UPS	0.24
Computer & Peripheral- End User	S/O HP LJ MFP M126NW Printer for Finance	0.22
Furniture & Fixtures - Other than Trolley	Provision of Furniture for Custom office at Pune	0.20
Computer & Peripheral- End User	S/O HP MFP M227Sdn Printer for Civil Project	0.19
CFT & Fire Fighting equipment	Fireman Helmet Fire Service officials (500 Nos)	0.13
Computer & Peripheral- End User	S/O 1Kva Numeric Ups for Finance	0.12
Electrical Installation	S/O Samsung Refrigerator for CISE	0.11
Plant & Machinery	Installation & Testing of IT Equipment laying of office	0.11
Total (B)		1,352.58
Total (A+B)		3,876.72

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15.3 Annexure III: List of Assets classified as Aero by AAI but reclassified as Non-Aero (N)/Common (C) by the Authority in Second Control Period (Para 2.4.19)

(Rs. in Lakhs)

Asset Name	Description of the Assets	Completion Year	Original cost	Classification	Aero Amount
Building-Others	Pvn. of Epoxy & Antistatic Flooring at Sub-Station	2016-17	25.85	C	25.29
Computer & Peripheral-End User	SITC of 3KVA UPS	2016-17	1.97	C	1.86
Computer & Peripheral-End User	3KVA UPS & Batteries	2016-17	0.79	C	0.74
Computer & Peripheral-End User	S/O Computers & Accessories	2016-17	12.01	C	11.35
Electrical Installation	Replacement of Existing Light Fitting of SHA. I	2016-17	16.32	C	14.91
Electrical Installation	Pvn. of Air Circulators, Exhaust Fans, HVLS Fans	2016-17	10.97	C	10.02
Furniture & Fixtures-Other than Trolley	S/O Sofas Set for VIP Room in Arrival Hall	2016-17	4.00	N	-
Furniture & Fixtures-Other than Trolley	Provision Of Furniture for VIP Lounge	2016-17	4.95	N	-
Plant & Machinery	S/O Motorized Hydraulic Ladder for Hanger & Street	2016-17	19.55	C	17.87
Other office Equipment	Supply Installation of Biometric Attendance	2016-17	0.89	C	0.84
Building-Others	Shifting of Structural Glazing Towards City Side	2017-18	315.11	C	287.92
Building-Others	Modification to Parking Shed & Canopy	2017-18	27.94	N	-
Computer & Package - Intangible Asses	Supply of Ms Office 2016 At Pune	2017-18	0.84	C	0.81
Computer & Package - Intangible Asses	S/O Ms Office 2016 Std for Finance	2017-18	0.41	C	0.39
Computer & Peripheral-End User	Supply, Inst. Testing & Comm. of Computers & It	2017-18	1.55	C	1.49
Computer & Peripheral-End User	Supply of Desktop Computers	2017-18	2.61	C	2.52
Computer & Peripheral-End User	Supply of Numeric UPS	2017-18	0.24	C	0.23
Computer & Peripheral-End User	Supply of HP MFP M177 Printer	2017-18	0.36	C	0.35
Computer & Peripheral-End User	Supply of Computers	2017-18	0.95	C	0.92
Computer & Peripheral-End User	Supply of A3 MFP 5024 Printer	2017-18	0.59	C	0.57
Computer & Peripheral-End User	Pvn. of UPS for Emergency Lighting in TB	2017-18	7.28	C	6.66
Computer & Peripheral-End User	S/O Hp MFP M227sdn Printer for Civil Project	2017-18	0.19	C	0.18



ANNEXURES

Asset Name	Description of the Assets	Completion Year	Original cost	Classification	Aero Amount
Computer & Peripheral-End User	S/O HP LJ MFP M126NW Printer for Finance	2017-18	0.22	C	0.21
Computer & Peripheral-End User	S/O 1KVA Numeric UPS for Finance	2017-18	0.12	C	0.12
Computer & Peripheral-End User	S/O Hp400g4 Mt 17 Desktop for Finance	2017-18	1.42	C	1.37
Furniture & Fixtures-Other than Trolley	Pvn. of Furniture for Project office	2017-18	4.49	C	4.10
Plant & Machinery	Supply of IT Equipment	2017-18	0.40	C	0.38
Plant & Machinery	Installation & Testing of IT Eqpt. Laying of Office	2017-18	0.11	C	0.10
Plant & Machinery	Procurement of Samsung Display for VC at Pune	2017-18	0.31	C	0.30
Plant & Machinery	Procurement of Video Conferencing System	2017-18	2.81	C	2.71
Electrical Installation	Replacement of Retro fitting of Existing	2017-18	34.66	C	31.67
Vehicle- Cars & Jeeps	Innova Crysta - Regn. Charges	2017-18	4.15	C	4.01
Vehicle- Cars & Jeeps	Toyota Etios - Regn. Charges	2017-18	1.48	C	1.43
Building-Others	Constn. of Connecting Corridor to Link SHA I	2018-19	22.06	C	20.15
Computer & Package - Intangible Assets	Mso-Std-2019 M3 Office	2018-19	6.33	C	6.18
Computer & Peripheral-End User	Purchase of Desktop Computers 30nos	2018-19		C	
Computer & Peripheral-End User	Purchase of Printer with Fax	2018-19	0.49	C	0.48
Computer & Peripheral-End User	Purchase of Laptops - Qty 7 Nos.	2018-19	4.05	C	3.96
Computer & Peripheral-End User	Pvn. of 10KVA Online UPS	2018-19	25.97	C	25.37
Computer & Package - Intangible Assets	Procurement of Window Server 2019	2018-19	-	C	-
Electrical Installation	Pvn. of Air Circulator Fans	2018-19	2.70	C	2.46
Furniture & Fixtures-Other than Trolley	Pvn. of Office Furniture for Offices at Conference	2018-19	8.54	C	8.34
Computer & Peripheral-End User	Purchase of Printers Without Fax	2018-19	1.64	C	1.60
Plant & Machinery	SITC of Movable Tv Stand	2018-19	1.59	C	1.55
Building-Terminal	Connection of SHA I & SHA II at First Floor Level	2019-20	10.24	C	9.36
Building-Terminal	Expn. of SHA II First Floor Towards East Side	2019-20	32.66	C	29.84
Building-Others	Pvn. of Passenger Shed in Parking 2 Area	2019-20	12.23	N	-
Computer & Peripheral-End User	HP450 G5 I7 Laptop	2019-20	0.67	C	0.63



Asset Name	Description of the Assets	Completion Year	Original cost	Classification	Aero Amount
Computer & Peripheral-Ead User	SITC of Two Nos of 10KVA UPS	2019-20	5.59	C	5.25
Furniture & Fixtures-Other than Trolley	Pvn. of Office Furniture for Offices at Conference	2019-20	0.36	C	0.33
Furniture & Fixtures-Other than Trolley	Pvn. of Furniture for Staff Canteen	2019-20	2.05	C	1.92
Other Office Equipment's	S/O Biometric Attendance	2019-20	1.63	C	1.53
Other Office Equipments	Biometric Access Control System	2019-20	-	C	-
Plant & Machinery	Biometric Access Control System	2019-20	-	C	-
Building-Terminal	Tensile Canopy Towards East Side	2020-21	31.17	C	28.48
Building-Terminal	Modification in Sba II	2020-21	19.25	C	17.59
Computer & Package - Intangible Assets	SITC of E-Pos Solution at 15 Airport (Software)	2020-21	5.00	N	-
Plant & Machinery	SITC of Epos (Electronic Point of Sale) Solution at 15 Airports	2020-21	3.42	N	-
Other Office Equipment's	Purchase of Digital Screen for Project Office	2020-21	0.57	C	0.53
Plant & Machinery	Vending Machine Tea/coffee at Pune Airport Qty 3	2020-21	0.42	N	-
Total			704.15		596.89

भा.वि.आ.वि.प्रा.
AERA

