adani

Ref No: AIAL/CO/AERA-MYTP/2022/1 04th February, 2022

To,
The Chairperson,
Airports Economic Regulatory Authority of India,
AERA Building, New Administrative Block,
Safdarjung Airport,
New Delhi- 110003.

Sub: Submission of Multi Year Tariff Proposal (MYTP) for Ahmedabad International Airport Limited (AIAL) for Third Control Period

Dear Sir,

The Authority vide order No. 52/2020-21 dated 06th November 2020 approved the existing tariff for Ahmedabad airport till 31st March 2021, vide order No. 65/2020-21 dated 24th March 2021 till 30th September 2021. It was further extended till 31st March 2022 vide order No. 17/2021-22 dated 15th September 2021.

We hereby submit the Multi Year Tariff Proposal for Sardar Vallabhbhai Patel International Airport (SVPIA) for the Third Control Period starting from 1st April 2021 to 31st March 2026 for kind consideration and approval of the Authority. We shall be pleased to provide any further information that Authority may require in this regard.

Thanking you

Yours truly,
For Ahmedabad International Airport Limited,

Manoj Chanduka
Authorized Signatory

Enclosures : -

1. Multi Year Tariff Proposal along with annexures
2. Financial Model in Excel format

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(Formerly known as Adani Ahmedabad International Airport Limited)
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Multi Year Tariff Proposal for Ahmedabad International Airport Limited (AIAL) (Formerly known as Adani Ahmedabad International Airport Limited) for Third Control Period (FY21-22 to FY25-26)

04th February, 2022

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List of Abbreviations

AAHL	Adani Airport Holdings Limited
AAI	Airports Authority of India
AAICLAS	AAI Cargo Logistics and Allied Services Company Limited
ACI	Airports Council International
AEL	Adani Enterprises Limited
AERA	Airports Economic Regulatory Authority of India
AHA	Airport Health Accreditation
AIAL	Ahmedabad International Airport Limited
AIASL	Air India Airport Services Limited
AIS	Air Insulated Switchgear
AOCC	Airline Operations Control Centre
AODB	Airport Operation Data Base
ARFF	Aircraft Rescue and Fire Fighting
ARR	Aggregate Revenue Requirement
ASQ	Airport Service Quality
ATC	Air Traffic Control
ATMs	Air Traffic Movements
AUCC	Airport Users Consultative Committee
BCAS	Bureau of Civil Aviation Security
BUA	Built Up Area
CA	Concession Agreement
CAGR	Compound Annual Growth Rate
CAPA	Centre for Asia Pacific Aviation
CAPM	Capital Asset Pricing Model
CHQ	Central Head Quarters
CISF	Central Industrial Security Force
CNS/ATM	Communications, Navigation and Surveillance Systems for Air Traffic Management
COD	Commercial Operations Date
CoE	Cost of Equity

CPI	Consumer Price Index
CWIP	Capital Work In Progress
D/E Ratio	Debt – Equity Ratio
DARK	Disabled Aircraft Removal Kit
DGCA	Directorate General of Civil Aviation
ERP	Equity Risk Premium
FIDS	Flight Information Display Systems
FLBs	Fixed Loading Bridges
FRoR	Fair Rate of Return
FY	Financial Year
GA	General Aviation
GH	Ground Handling
GIS	Gas Insulated Switchgear
GMRCL	Gujarat Metro Rail Corporation Limited
GoG	Government of Gujarat
GoI	The Government of India
GPCB	Gujarat Pollution Control Board
GSE	Ground Servicing Equipment
GST	Goods and Service Tax
HVAC	Heating, Ventilation, and Air Conditioning
IAF	Indian Air Force
IATA	International Air Transport Association
ICAO	International Civil Aviation Organization
ICT	Integrated Cargo Terminal
IMF	International Monetary Fund
ITP	Into-Plane Services
KL	Kiloliter
LOA	Letter of Award
LOS	Level of Service
m	Meters
MEGA	Metro-Link Express for Gandhinagar and Ahmedabad
MHS	Mechanical Handling System
MICE	Meetings, Incentives, Conferences & Exhibitions
MLD	Millions of Liters per Day

MMTH	Multi-Modal Transport Hub
Mn or mn	Million
MPPA	Million Passengers Per Annum
MT	Metric Tonne
MYTP	Multi Year Tariff Proposal
NAR	Non-Aeronautical Revenue
NCAP	National Civil Aviation Policy
NITB	New Integrated Terminal Building
O&M	Operation & Maintenance
OMCs	Oil Marketing Companies
Pax	Passengers
PBBs	Passenger Boarding Bridges
PIDS	Perimeter Intrusion Detection System
PMC	Project Management Contract
PSA	Private Security Agency
PV	Present Value
PWC	PricewaterhouseCoopers
RAB	Regulatory Asset Base
RCS	Regional Connectivity Scheme
RESA	Runway End Safety Areas
RET	Rapid Exit Taxiways

RfP	Request for Proposal
RHQ	Regional Head Quarters
RPAS	Remotely Piloted Aircraft System
RSS	Receiving Sub-Station
RWY	Runway
SBD	Self Bag Drop
SLA	Service Level Agreement
SPV	Special Purpose Vehicle
sqm	Square Meters
STP	Sewage Treatment Plant
SVPIA	Sardar Vallabhbhai Patel International Airport
T1	Terminal 1
T2	Terminal 2
T3	Terminal 3
TCP	Third Control Period
TWY	Taxiway
UA	Unmanned Aircraft
UDF	User Development Fees
WDV	Written Down Value
WEO	World Economic Outlook
YoY	Year on Year

BEFORE THE AIRPORTS ECONOMIC REGULATORY AUTHORITY OF INDIA

AT NEW DELHI

SUBMISSION OF MULTI YEAR TARIFF PROPOSAL FOR AND ON BEHALF OF:

M/S AHMEDABAD INTERNATIONAL AIRPORT LIMITED (AIAL)

I, Manoj Chanduka aged 55 resident of Gujarat, India acting in my official capacity as authorized signatory in M/s Ahmedabad International Airport Limited having its registered office at Adani Corporate House, Shantigram, S G Highway, Ahmedabad, 382421 do hereby state and affirm as under that :-

1. That I am duly authorized to act for and on behalf of M/s Ahmedabad International Airport Limited in the matter of making this submission before the Airports Economic Regulatory Authority of India, New Delhi ('the Authority');

2. I am competent to make this submission before the Authority;

3. I am making this submission in my official capacity and the facts stated herein are based on official records;

4. The contents of this submission which include (i) Business Plan; (ii) Information pertaining to physical assets; (iii) Information relation to the Regulatory Building Blocks; (iv) Historical and Forecasted Volumes; and (v) Historical Revenue, are correct and true to my knowledge and belief and nothing material has been concealed there from.

For Ahmedabad International Airport Limited,

Manoj Chanduka

Authorized Signatory

Place: Ahmedabad

Date: 04th February, 2022

1. Background

1.1. Gujarat is one of the most industrially developed states in India, accounting for a quarter of India's goods export. The Gujarat government is focused on fast-paced, large-scale industrial and transport infrastructure development. Ahmedabad is the seventh largest city in the country and the largest in Gujarat in terms of population (7.2 million) [1] estimates. The city is amongst the largest inland industrial centres in western India and has enjoyed a reputation as an important base of commerce, trade and industry.

Resilient economic growth resulting in rising income level, consumer aspirations, low cost of air travel, liberalized regulations has been fuelling the passenger traffic and commercial revenues of the airport.

1.2. The Government of India (GoI), in an attempt to bring expertise, enterprise, professionalism, investments, and efficiency in service delivery to airports, decided to privatize the operations, management, and development of Sardar Vallabhbhai Patel International Airport (SVPIA), Ahmedabad.

1.3. Accordingly, the Airports Authority of India (hereinafter referred to as "AAI") invited proposals, through a global competitive bidding process, for the operations, management, and development of SVPIA, while prescribing technical and commercial terms and conditions. In a competitive bidding, Adani Enterprises Limited (AEL) emerged as the highest bidder to operate, manage, and develop SVPIA.

1.4. Having evaluated the bids and having received security clearance from the Ministry of Home Affairs, GoI, AAI accepted the bid of AEL, and issued a Letter of Award (LOA)[2]. As per the Concession Agreement, AEL has promoted and incorporated the Special Purpose Vehicle (SPV) – Ahmedabad International Airport Limited (AIAL), as the concessionaire

[1] https://gujaratindia.gov.in/state-profile/demography.htm
[2] LoA No. AAI/KID/PPP/06 APTS/LOA/Ahmedabad/2019/95 on 15th July 2019

under the Companies Act, 2013. AIAL signed the Concession Agreement with AAI on 14th February 2020 for exclusive right to operate, manage and develop Ahmedabad Airport for a period of 50 (fifty) years from the Commercial Operations Date (COD).

1.5. Subsequently, AEL has incorporated a 100% subsidiary named Adani Airport Holdings Limited (AAHL). As on date, AEL holds 100% shareholders equity in AIAL, directly or indirectly through AAHL.

1.6. AIAL has achieved Commercial Operations Date (COD) on 07th November 2020.

1.7. The Concession Agreement between AAI and AIAL (refer Annexure – A) and Memorandum of Understanding between GoI and AIAL (refer schedules in Annexure – A) provide AIAL the right to levy aeronautical and non-aeronautical charges from various users effective from the COD.

1.8. With respect to AIAL's right to demand User Fees for aeronautical and non-aeronautical services, the Concession Agreement[3] states that:

"On and from COD and till the Transfer Date, the Concessionaire has the sole and exclusive right to demand, collect and appropriate Fees from the Users for the provision of the Aeronautical Services and Non-Aeronautical Services, including the airlines and passengers, in accordance with the provisions of the Regulatory Framework and this Agreement including the terms set out in Schedule R (Memorandum of Understanding), provided that the Concessionaire may determine and collect Fees at such lower rates as may be agreed with the Users or any category of Users in accordance with the Applicable Laws and Applicable Permits."

Additionally, the Memorandum of Understanding[4] entitles AIAL to levy, collect and appropriate aeronautical charges from the COD, from the users of the SVPIA, Ahmedabad at the tariff rates approved by AERA.

[3] Clause 28.1.1. of the Concession Agreement
[4] Clause 2.2.5 of the Memorandum of Understanding

1.9. In accordance with the same, AAI issued notification dated 09th November 2020 to all the stakeholders of the Ahmedabad Airport informing that AIAL, from 07th November 2020 commenced operation of the Ahmedabad Airport and shall be entitled to demand and collect fees in accordance with the provisions of the Concession Agreement.

1.10. As mentioned above, AIAL has an exclusive right to demand, collect and appropriate fees from COD onwards at the rates determined by AERA. As an interim measure, AIAL applied to AERA vide letter with reference no. AAIAL/CO/AERA-IT/2020/1 dated 17th September, 2020 to allow the existing rates at SVPIA from the COD till 31st Mar 2021. Subsequently, AERA vide order No. 52/2020-21[5] stated the following: -

(i) The Airport Operator, Ahmedabad International Airport limited (AIAL) is allowed to continue to levy and collect the existing tariff as applicable as on 06.11.2020 w.e.f. 07.11.2020 to 31.03.2021.

(ii) The Airport Operator shall submit MYTP for the 3rd Control Period well in time as per the provisions of AERA Regulatory Guidelines

(iii) Airport Operator shall ensure compliance of the Order.

1.11. Subsequently AIAL vide letters AAIAL/CO/AERA-IT/2021/1 dated 25 January 2021 and AAIAL/CO/AERA-IT/2021/3 dated 13 September 2021 respectively has asked for an extension of existing rates till 30 September 2021 and then till 31 March 2022 for which AIAL received approval from the Authority as per Order No. 65/2020-21[6] dated 24th March 2021 and Order No. 17/2021-22 dated 15th September 2021[7] respectively.

1.12. In addition to Airport activities, AIAL is also providing the Cargo Handling services at the SVPIA, Ahmedabad. AERA vide order no. 52/2020-21 allowed AIAL to levy the existing charges for Domestic Cargo Handling Services at Ahmedabad airport till 31st March 2021. Further, in order to

[5] Refer Annexure - F
[6] Refer Annexure - F
[7] Refer Annexure - F

avoid a regulatory vacuum, AERA vide Order No. 65/2020-21 dated 24th March 2021 and vide Order No. 17/2021-22 dated 15th September 2021 allowed AIAL continuation of existing rates for the Cargo facility till 30th September 2021 and 31st March 2022 respectively. Subsequently vide letter no. AAIAL/CO/AERA-IT/2021/2 dated 17.05.2021, AIAL informed AERA that it will be starting International Cargo Handling Services, in addition to Domestic Cargo Handling Services, at Ahmedabad airport operations and to allow ad-hoc charges for the same. AERA vide order no. 01/2021-22[8] approved the ad-hoc charges for International Cargo Handling Services from 1.07.2021 till 31.03.2022, or, tariff determination whichever is earlier.

1.13. AIAL through this document aims to submit a detailed Multi Year Tariff Proposal (MYTP) for the 3rd Control Period from 1st April 2021 to 31st March 2026 (TCP) of SVPIA, Ahmedabad, as directed by the Authority in the Order No. 52/20-21, Order No. 65/20-21, Order No. 17/21-22 and Order No. 01/2021-22 respectively. This MYTP appropriately includes the true-up for the interim period between 07th November (COD) and 31st March 2021.

Confidential Information

1.14. With reference to this MYTP, AIAL will make various submissions/providing information, including but not limited to the information being submitted along with this MYTP, from time to time to the Authority.

1.15. AIAL would request the Authority to maintain the confidentiality of financial information and commercial agreements by not sharing any such information in the public domain. AIAL would not have objections with the Authority publishing documents that should be available to public under any other law or are already under public domain. AIAL's MYTP business plan containing financials are requested not to be placed in public. The following legal agreements which contain commercially sensitive data for which parties have the responsibility to maintain confidentiality and/or are the property of parties signing them should not be published for common access:

[8] Refer Annexure - F

- Concession Agreements (along with Schedules)
- Any communication between AEL/AAHL/AIAL and AAI/Authority
- Chartered Engineer Reports
- Cost of Equity Report
- Commercial arrangements

Features of the Airport:

1.16. Sardar Vallabhbhai Patel International Airport (SVPIA) is located 11 km northeast of city centre of Ahmedabad, and about 18 Kms southeast of Gandhinagar, at 23° 04' 16.28'' N latitude and 072° 37' 35.15" E longitude. It is located at an elevation of 57.6 m Above Mean Sea Level. Ahmedabad airport was established in 1937, however its international operations commenced in 1991. SVPIA is surrounded by residential developments on its south, east, and north while Defence Cantonment is located on northwest of airport. Sabarmati River is approximately 500 metres from northern boundary of the airport.

1.17. The traffic handled by SVPIA between 2016-17 and 2020-21 is given in the table below:

	Pax			ATMs		
Year	**Dom.**	**Int.**	**Total**	**Dom.***	**Int.**	**Total**
2016-17	5,619,373	1,785,909	7,405,282	38,762	12,345	51,107
2017-18	7,323,471	1,850,954	9,174,425	49,987	13,142	63,129
2018-19	9,026,421	2,146,047	11,172,468	63,884	14,528	78,412
2019-20	9,111,692	2,321,304	11,432,996	69,190	15,387	84,577
2020-21	3,437,922	204,491	3,642,413	37,113	3,096	40,209

*Above table includes total domestic ATMs, which comprise of ATMs less than 80-seater and ATMs more than 80-seater. Less than 80-seater aircraft movements have accounted for approx. 15% - 20% total domestic ATMs. AIAL requests AERA to kindly take cognizance of the fact.

1.18. Technical and Terminal building details of SVPIA are provided in the table below:

Particulars	Details
Total airport area	987.12 acres
Total covered area of Terminal Building	Terminal 1 – Domestic – 34,158 sqm (Including Canopy of 2,934 sqm) Terminal 2 – International – 45,462 sqm (Including Canopy of 5,474 sqm)
Existing Passenger Capacity	T1 - 5 MPPA T2 – 2.5 MPPA
Main Runway orientation and length	Runway 05/23, dimension 3,505m x 45m
Apron	Apron 1- 24 (Code A & B: 4, Code C :15, D & E : 5) Apron 2- 13 (Code C: 2+7 and Code D & E: 4) Apron 3 – 12 (all Code B)
Taxiway	11
Security checks	Domestic - 8 International - 4

2. Methodology to determine Aggregate Revenue Requirement (ARR)

2.1. The Concession Agreement[9] defines the regulator and regulatory framework as the following:

""Regulator" means AERA or any other entity as may be designated by GoI for determination of Aeronautical Charges for the Airport as per Applicable Laws, as the case may be."

""Regulatory Framework" means the framework adopted by the Regulator as per the Applicable Laws, including the AERA Act and Airports Economic Regulatory Authority (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011."

2.2. As per the Concession Agreement[10]:

"The GOI has, through the National Civil Aviation Policy, dated June 16, 2016, approved, ("Shared-Till Approval") the 30% (thirty percent) shared-till framework for the determination and regulation of the Aeronautical Charges for all airports in India, and the same shall be accordingly considered by the Regulator for the purposes of the determination of the Fees/Aeronautical Charges pursuant to the provisions of this Agreement."

2.3. As per clause 13 (1) of the AERA Act, 2018, the authority shall determine the tariff for aeronautical services taking into consideration "the concession offered by the Central Government in any agreement or memorandum of understanding or otherwise."

2.4. The methodology adopted by the Authority to determine tariff is based on AERA Act, 2008 (AERA Act) and the AERA (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011 dated 28th February 2011 (Tariff Guidelines).

[9] As per definitions of Concession Agreement
[10] Clause 28.3.2. of the Concession Agreement

2.5. Further, tariff is based on 'hybrid till' method wherein 30% of non-aeronautical revenues is used to cross-subsidize ARR (Order No. 14/ 2016-17 "In the matter of aligning certain aspects of AERA's Regulatory Approach (Adoption of Regulatory Till) with the provisions of the National Civil Aviation Policy-2016 (NCAP-2016) approved by the Government of India" dated 12.01.2017).

2.6. The Authority shall determine the ARR for the current control period on the basis of the following Regulatory Building Blocks:

- Regulatory Asset Base (RAB)
- Depreciation (D);
- Fair Rate of Return applied to the Regulatory Asset Base (FRoR x RAB);
- Operation and Maintenance Expenditure (O);
- Taxation (T);
- Revenue from services other than aeronautical services (NAR).

2.7. Based on the building blocks provided above, the formula for determining ARR under Hybrid Till is as follows:

$$ARR = \sum_{t=1}^{5} (ARR_t) \; and$$

$$ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - 30\% \; of \; NAR_t$$

Where:

- 't' is the Tariff Year in the Control Period;
- ARR_t is the Aggregate Revenue Requirement for year 't';
- FRoR is the Fair Rate of Return for the control period;
- RAB_t is the Regulatory Asset Base for the year 't';
- D_t is the Depreciation corresponding to the RAB for the year 't';
- $O_t$is the Operation and Maintenance Expenditure for the year 't', which includes all expenditures incurred by the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandate operating costs;

- T_t is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and
- NARt is revenue from services other than aeronautical services for the year 't'

2.8. AIAL has adopted a similar approach for determination of aeronautical revenues as stated in the guidelines of AERA, as also in line with AERA Act and as mandated under the Concession Agreement.

2.9. A true up of all regulatory blocks in the next control period is required as per AERA methodology. In respect to the true-up till COD, it is to be provided by AAI to AERA for consideration. Further AIAL has done calculations of true-up of the period from COD to 31st March 2021 which is submitted along with this MYTP.

2.10. AIAL has capitalised financing allowance using the formula provided by the Guidelines, 2011:

$$Financing\ Allowance = R_d \times (WIPA_{t-1} + \frac{Capex - SC - CA}{2})$$

Where

(i) R_d is the cost of debt determined by the Authority

(ii) SC are the capital receipts

(iii) CA are the commissioned assets

3. Impact of Covid-19

3.1. The Covid-19 virus has spread worldwide without acknowledging borders. Spread of this virus has disrupted the internal and international trade activities of various economies thereby distorting their economic growth. Several countries across the world have, in the past year announced travel restrictions, and continue to do so this year, besides partial or complete lockdown to contain the spread of virus and to avoid the pandemic to escalate. The outbreak simultaneously disrupted the supply chains and sharply curtailed demand in various industries. The wide geographical spread of the virus has resulted in challenges for some industries and opportunities for other industries to adapt and improve their business models and to prepare themselves to be resilient to such shocks.

The Indian economy was rattled, at the onset of the financial year 2020-21 as the entire country went into a complete lockdown for 21 days in the first phase and continued partially till end-May 2020. Different states followed different lockdown protocols thus affecting travel and tourism for longer period. All business activities barring few essentials came to a grinding halt abruptly and caused severe damages to the consumption and new investments. The extended three-month lockdown period witnessed an adverse impact on industries as also the economy. The gradual reopening of activities across the country has seen some improvement in the economy, though the impact continues in 2021-22 due to second wave in March/April 2021 and now currently ongoing third wave in Jan-2022.

As per estimates of International Monetary Fund (IMF), recovery of economic activities will take anywhere between 12 to 24 months. This is expected to be revised further as key indicators denote that the recovery period may take longer time.

3.2. As per IMF's July 2021 World Economic Outlook (WEO), The global economy is projected to grow 6.0 percent in 2021 and 4.9 percent in 2022. The 2021 global forecast is unchanged from the April 2021 WEO, but with offsetting revisions. Prospects for emerging market and developing economies have been marked down for 2021, especially for Emerging Asia.

Impact on Aviation Industry

3.3. The airlines and airports industries have been one of the worst effected sectors due to Covid-19 as countries across the World have been imposing travel restrictions and going into complete lockdown in different phases. The second wave and on-going third wave has led to limited travel. Restricted passenger movement, therefore, is putting pressure on financials of both airlines and airports simultaneously.

3.4. The global aviation industry has witnessed certain fundamental shifts because of the pandemic – one of which is a reduction in business travel. With changing business dynamics, it may take even more time for business travel to catch up to pre-pandemic levels – if it fully recovers at all.

Impact on Traffic in India

3.5. India's aviation sector faced an unprecedented situation in March 2020, when the government grounded all scheduled domestic and international air services. While it took two months for domestic operations to recommence (domestic operations recommenced on 25th May 2020), international travel recommenced largely on account of repatriations, chartered, and bubble flights by both Indian and foreign operators still leaving travel operations out of ambit. Recently. the Central Government has extended the restrictions on operations of international flights upto 29th February 2022. Some international scheduled flights will be allowed by competent authority on selected routes on a case-to-case basis.

3.6. Total passenger traffic at Indian airports fell by 66.3% annually in FY2020-21 to 115 million passengers, a level last seen in FY2007-08, which

comprised of 105 million domestic airport passengers and 10 mn international pax.

3.7. CAPA analysis suggests that discretionary domestic travel segments (business, institutional, MICE, leisure and foreigners travelling on domestic network) accounted for approximately 55% (fifty five percent) of the market before the pandemic.

3.8. The abovementioned discretionary travel segments are likely to face an impact not only of the pandemic, but also of the economic conditions as a result of pandemic. While the impact of the pandemic on various travel segments can already be seen, the full impact of the economic conditions is perhaps likely to be yet felt.

3.9. The second wave in 2021 and an ongoing third wave coupled with economic slowdown has impacted a number of travel segments and the aviation sector as a whole.

3.10. The Pre-COVID traffic achieved in the recent period is as follows : -

a. Actual traffic (Dom +Intl) from April 2021 to December 2021 was ~ 132 million all over India which is approx. 50% recovery of Pre-COVID traffic of April 2019 to December 2019).
b. Actual traffic (Dom + Intl) for recent quarter from October 2021 to December 2021 is ~67 million which is ~73% recovery of Pre-COVID traffic of period October 2019 to December 2019.

3.11. With respect to the outlook for cargo activity, IATA identified that the operating backdrop for air cargo depended on the robustness of the manufacturing sector. Despite improvements in international cargo traffic, Asia-Pacific region's cargo traffic is still lower than what it was in the same month of the previous year.

3.12. **AIAL has considered necessary impact for COVID-19 and recent recovery trajectory on various building blocks and projections while preparing this MYTP.**

4. Passenger Traffic, Air Traffic Movements (ATMs) and Cargo forecasts

4.1. The traffic at SVPIA, Ahmedabad increased at a CAGR of 12.3% to 11.43 mn in FY 2020 from 4.04 mn passengers in FY 2011. Of the total traffic in FY 2020, 80% was domestic. **However, due to the impact of Covid-19 in FY 2021, CAGR may not be a good indicator to gauge the growth of passenger traffic.**

4.2. Passenger, ATM, and Cargo traffic have been adversely impacted because of Covid-19 in FY 2020-21. Total ATMs at SVPIA, Ahmedabad between FY20-21 were 52% less than ATMs of the same period in FY19-20. Similarly, total passenger traffic at SVPIA, Ahmedabad in FY20-21 was 68% less than that of the same period in FY19-20. Considering the Covid-19 impact, historical benchmarking growth methodology may not applicable. The following table illustrates the adverse impact that the pandemic had on SVPIA's traffic:

Particular	April 2019 - March 2020	April 2020 - March 2021	% Change
Passenger Traffic	11,432,996	3,642,413	-68%
Air Traffic Movements (ATM)	84,577	40,209	-52%
Cargo (in MT)	103,741	60,749	-41%

4.3. Traffic projections submitted by AIAL considers that it will achieve approx. 55% Pre-COVID traffic in FY2021-22 and about 100% recovery of Pre-COVID traffic in FY2022-23. These are also corroborated by traffic study conducted by CAPA in Aug-2020.

4.4. As per the aforementioned CAPA study[11], the traffic growth rates and traffic forecasts for the TCP for SVPIA, Ahmedabad are as follows:

[11] Refer Annexure - B

Air Traffic Movements (ATM) and ATM growth rate forecasts for SVPIA for TCP

	ATM			Growth rate		
Year	**Dom**	**Intl**	**Combined**	**Dom**	**Intl**	**Combined**
2021-22	53,512	4,552	58,064	44.19%	47.03%	44.41%
2022-23	69,356	12,606	81,962	29.61%	176.93%	41.16%
2023-24	82,536	17,413	99,949	19.00%	38.13%	21.95%
2024-25	96,606	21,469	118,075	17.05%	23.29%	18.13%
2025-26	111,183	25,408	136,591	15.09%	18.35%	15.68%

Traffic and traffic growth rates forecasts for SVPIA for TCP

	Passengers			Growth rate		
Year	**Dom**	**Intl**	**Combined**	**Dom**	**Intl**	**Combined**
2021-22*	5,586,400	564,179	6,150,579	62.49%	175.89%	68.86%
2022-23	9,490,000	1,960,000	11,450,000	69.88%	247.41%	86.16%
2023-24	11,435,450	2,734,200	14,169,650	20.50%	39.50%	23.75%
2024-25	13,551,008	3,404,079	16,955,087	18.50%	24.50%	19.66%
2025-26	15,786,925	4,067,874	19,854,799	16.50%	19.50%	17.10%

** Adjusted based on actual/projected traffic for FY22*

4.5. **Further it is to be noted that SVPIA, Ahmedabad handles significant volumes of ATM which are less than 80-seater capacity, some of which are under RCS category. Based on historical trend, less than 80-seater capacity category ATMs has been considered for approx. 15% - 20% of domestic ATMs. Also based on historical trend, exempt category of passengers is considered as 2%.**

4.6. AIAL appreciate the RCS scheme initiated by government to boost the regional connectively whereby no landing charges are charged to Airlines and also no UDF is charged to the departing passenger. Secondly ATMs having less than 80-seater capacity are also exempted from landing charges. Lastly, there are certain categories of passengers which are exempted from user charges being infant, transit etc.

4.7. Therefore, while calculating the revised aeronautical charges, the ATM and Passenger traffic is suitably adjusted to account for only billable ATMs and billable Passengers. The adjusted billable ATM and Passengers after excluding exempted categories are as follows:

Adjusted Billable Air Traffic Movements (ATM) forecasts for SVPIA for TCP:

Year	Dom	Intl	Combined
2021-22	42,810	4,552	**47,362**
2022-23	56,872	12,606	**69,478**
2023-24	70,156	17,413	**87,569**
2024-25	82,115	21,469	**103,584**
2025-26	94,505	25,408	**119,913**

Adjusted Billable Pax Traffic forecasts for SVPIA for TCP

Year	Dom	Intl	Combined
2021-22	5,474,672	552,895	**6,027,567**
2022-23	9,300,200	1,920,800	**11,221,000**
2023-24	11,206,741	2,679,516	**13,886,257**
2024-25	13,279,988	3,335,997	**16,615,986**
2025-26	15,471,186	3,986,517	**19,457,703**

4.8. The following table summarizes the Cargo forecasts for SVPIA, Ahmedabad for TCP:

	Volume in Mt			Growth rate		
Year	Domestic	Intl	Combined	Domestic	Intl	Combined
2021-22	59,191	23,970	83,161	63.15%	-2.04%	36.89%
2022-23	63,931	37,818	101,749	8.01%	57.77%	22.35%
2023-24	69,046	52,239	121,285	8.00%	38.13%	19.20%
2024-25	74,570	62,372	136,942	8.00%	19.40%	12.91%
2025-26	80,311	67,809	148,120	7.70%	8.72%	8.16%

4.9. AIAL is expected to process certain cargo volumes out of the total volume at its own Cargo facility as discussed in Chapter 12.

5. Airport Service Quality

5.1. With respect to the Airport Service Quality, the Concession Agreement states in relation to the obligations of AIAL that they have been defined *"as set forth in Annex I of Schedule H;"* (Annexure – A).

5.2. These service qualities have been summarized on the basis of performance indicators, measures, measurement mechanisms and measurement frequency. AIAL is committed to abide by the following ASQ performance indicators mentioned in Annex I of Schedule H:

S. No.	Performance Indicator	Performance Measure	Minimum Performance Standard
1	**Car Parking**	a) Average time taken to find parking space including the time taken for payment of parking fee or collection of ticket b) Average time from parking slot to the exit gate including the time for payment of parking fee	a) 95% of drivers take less than 5 minutes b) 95% of drivers take less than 5 minutes
2	**Security Check**	Waiting time in queue	95% of the Peak Hour passengers wait less than 5 minutes
3	**Check-in**	Waiting time in queue	a) 95% of business class passengers wait less than 5 minutes b) 95% of economy class passengers wait less than 20 minutes
4	**Immigration**	Waiting time in queue	95% of passengers wait less than 10 minutes
5	**Baggage delivery domestic**	Time taken for baggage delivery from aircraft arrival	a) First baggage will arrive on baggage belt within 10 minutes of aircraft on blocks time, and

S. No.	Performance Indicator	Performance Measure	Minimum Performance Standard
			b) Last baggage will arrive on baggage belt within 30 minutes for Code C aircraft 45 minutes for Code E of aircraft on-blocks time
6	**Baggage delivery domestic**	% time available	Each baggage belt should be available at least 95% of the time
7	**Baggage delivery international**	Time taken for baggage delivery from aircraft arrival	a) First baggage will arrive on baggage belt within 15 minutes of aircraft on blocks time, and b) Last baggage will arrive on baggage belt within 40 minutes for Code C aircraft 45 minutes for Code E of aircraft on-blocks time
8	**Baggage delivery international**	% time available	Each baggage belt should be available at least 95% of the time
9	**Passenger arrival process**	Time taken from aircraft arrival to kerbside	a) International – 95% of passengers take less than 45 minutes b) Domestic – 95% of passengers take less than 35 minutes
10(a)	**Passenger boarding bridges**	Percentage time available	Each Passenger boarding bridge should be available at least 95% of the time
10(b)		Availability for % of aircraft movements to meet airline request	The Passenger boarding bridges should be available to 90% of international passengers and to 90% of domestic passengers travelling on aircrafts B737/A320 or larger unless not required by airlines.
11	**Parking bays**	Percentage time available	Each parking bay stand should be available at least 99% of the time.

S. No.	Performance Indicator	Performance Measure	Minimum Performance Standard
12	**Availability of Flight Information Display Systems (FIDS)**	Percentage time available	Each FIDS should be available at least 98% of the time.
13	**Availability of baggage trolleys**	Percentage time available	Baggage trolleys should be available 100% of the time.
14	**Passengers requiring wheel chairs**	Waiting time for provision of assistance	100% of departing Passengers, needing a wheel chair, should not wait longer than 5 minutes
15	**Transit/transfer Passengers**	Minimum connect time for transit/transfer Passengers (i) domestic / domestic or (ii) domestic / international or (iii) international / international	a) Minimum connect time to be not more than 60 minutes for 80% of the domestic / domestic Passengers , b) Minimum connect time to be not more than 75 minutes for 80% of the domestic / international Passengers c) Minimum connect time to be not more than 60 minutes for 80% of the international / international Passengers
16	**Escalators, elevators, & travellators**	Percentage time availability	Escalators, elevators & travellators should be available 98% of the time.
17	**Automated services**	Percentage time availability	Automated services should be available 98% of the time. "Automated services" shall include but not limited to inbound baggage system, outbound baggage system, X-Ray machines and public announcement system.
18	**Information /complaint desks**	Availability of personnel at the information/ complaint desk	Information/complaint desks should be manned 100% of the time.

S. No.	Performance Indicator	Performance Measure	Minimum Performance Standard
19	**Ambient conditions in the Passenger Terminals**	Maintenance of ambient conditions in the Passenger Terminals	a) Temperature range in a Passenger Terminal to be 21-25 degree Celsius during operational hours in the Passengers areas, and b) Relative humidity levels – correlated relative humidity to specified temperature range
20	**Runway operational safety**	Number of runway incursions	Recording, investigating and minimizing runway incursions
21	**ARFF**	Response time to incident	a) As specified by ICAO achieve a response time not exceeding 3 minutes to any point of each operational runway, and to any other part of the movement area in optimum visibility and surface conditions b) Any other vehicles required to deliver the amounts of extinguishing agents should arrive no more than 1 minute after the first responding vehicle(s) (i.e. no more than 4 minutes after the first call) so as to provide continuous agent application.
22	**Availability of taxi**	Waiting time in queue	Queuing time for taxis will not be more than 5 minutes for 95% of the passengers.
23	**Handling of complaints**	Percentage of complaints responded within specified time	100% of complaints responded within 2 working days.
24	**Repair completion Time**	Percentage of repairs done within specified time	a) 95% of high priority repair works should be

S. No.	Performance Indicator	Performance Measure	Minimum Performance Standard
			addressed within 4 hours, b) 95% of others should be addressed within 24 hours
25	**Cleanliness**	Ratings during cleanliness surveys	Achieve a satisfactory cleanliness rating for 95% of all inspections
26	**Gate lounges**	Seating availability	As per IATA Optimum Level of Service
27	**Buggy Services**	Availability of buggies	Buggy service should be available 98% of the time

5.3. **It is expected that adherence and maintenance of these standards will require a creation of significant infrastructure, ramp-up of human resources and increase in operations and maintenance costs. AIAL has considered the cost implications suitably while preparing future projections as provided in this MYTP submission.**

5.4. AIAL has been accredited in the Airports Council International (ACI) Airport Health Accreditation (AHA) programme in Jan 2021. The ACI programme enables airports to demonstrate to passengers, staff, regulators, and governments that they are prioritising health and safety standards in a measurable and established manner.

6. Initial Regulatory Asset Base (RAB) and CWIP taken from AAI

Disclaimer

As per Concession Agreement, AIAL is required to make payment of Estimated Deemed Initial RAB , Initial Non-Aeronautical Investment and CWIP. AIAL had received invoice from AAI for RAB and CWIP inclusive of GST against which AIAL had contested that GST will not be applicable on RAB and CWIP amount based on various opinions obtained from independent tax consultants. Subsequently, AAI had also taken legal opinion and based on the said opinion, AAI requested AIAL to provide necessary indemnity bond in case in future GST amount is payable by AAI to tax authorities on RAB and CWIP invoices. AIAL submitted the necessary indemnity bonds and accordingly, AAI had shared revised RAB and CWIP invoices after excluding GST. If in future, AAI is required to bear the GST, which based on indemnity bond inter-alia will be recovered by AAI from AIAL, the GST amount will be added to the Initial RAB and CWIP. For the time being, the Initial RAB and CWIP numbers provided in this MYTP are exclusive of GST. AIAL hereby, reserves the right to include the GST and to revise the Initial RAB and CWIP and thereby the MYTP or shall be considered in subsequent control periods as part of true-up, depending on the future outcome of the matter.

Initial Regulatory Asset Base:

As per the provisions of the Concession Agreement, AIAL needs to pay to AAI the amount of WDV (Written Down Value Method of Depreciation) of assets as on COD. The amount to be paid for assets as at 31st March 2018 (Deemed Initial RAB) is INR 271 Crores for Aeronautical Assets and INR 6.41 Crores for Non-Aeronautical Assets (the relevant provisions of Concession Agreement are provided below).

6.1. The Concession Agreement[12], with respect to AIAL's liability towards AAI states: per clause 28.11 of the Concession Agreement:

"*(a) It is agreed by the Parties that the Concessionaire shall be liable to pay to the Authority an amount equivalent to the investments made by the Authority in the Aeronautical Assets as of the COD and considered by the Regulator as part of the Regulatory Asset Base, subject to requisite reconciliation, true-up and final determination by the Regulator of the quantum of such investment ("**Deemed Initial RAB**").*

*(b) The estimated depreciated value of investments made by the Authority in the Aeronautical Assets at the Airport as on March 31, 2018 is Rs. 271,00,00,000 (two hundred seventy one crores) ("**Estimated Deemed Initial RAB**"). It is agreed by the Parties that the Estimated Deemed Initial RAB shall be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD*

*Pursuant to the payment of the Estimated Deemed Initial RAB, and upon the reconciliation, true-up and final determination by the Regulator of the quantum of the investment under 28.11.3(a), any surplus or deficit in the Estimated Deemed Initial RAB with respect to the Deemed Initial RAB shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination by the Regulator, with due adjustment for the following ("**Adjusted Deemed Initial RAB**"):*

(a) reduced to the extent of over-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as a downward adjustment while determining Aeronautical Charges for the next Control Period; or

(b) increased to the extent of under-recoveries, if any, of Aeronautical Revenues by the Authority until the COD, that the Regulator would provide for as an upward adjustment while determining Aeronautical Charges for the next Control Period.

The amount(s) to be paid by the Authority or Concessionaire shall be the present value of Adjusted Deemed Initial RAB calculated using the fair

[12] Clause 28.11. of the Concession Agreement

rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of the Adjusted Deemed Initial RAB.

Upon reimbursement of such amount by the Concessionaire to the Authority, the Deemed Initial RAB will, in addition to the investments made by the Concessionaire, be considered for the purpose of determination of Aeronautical Charges by the Regulator.
(a) The Authority undertakes to make any required supporting submissions to the Regulator towards such consideration and determination by the Regulator.
(b) The Parties shall submit to and request the Regulator to separately identify the Deemed Initial RAB in future determinations of Aeronautical Charges with regard to consideration of depreciation, required returns, etc.

*For the purpose of this Clause 28.11, "**Control Period**" and "**Regulatory Asset Base**" shall have the meaning set forth in Airports Economic Regulatory Authority (Terms and Conditions for Determination of Tariff for Airport Operators) Guidelines, 2011."*

6.2. The Concession Agreement[13], with respect to AIAL's liability towards AAI states: per clause 28.12 of the Concession Agreement:

"*It is agreed by the Parties that the Concessionaire shall pay to the Authority an amount equivalent to the estimated depreciated value of investments made by the Authority in the Airport as of the COD towards development of Non-Aeronautical Assets ("Initial Non-Aeronautical Investments").*
The estimated depreciated value of investments made by the Authority towards development of the Non-Aeronautical Assets at the Airport as on March 31, 2018 is Rs. 6,41,00,000 (Rupees Six Crores and Forty-One Lakhs) ("Estimated Initial Non-Aeronautical Investments"). It is agreed by the Parties that the Estimated Initial Non-Aeronautical Investments shall

[13] Clause 28.12 of the Concession Agreement

be due and payable by the Concessionaire to the Authority within 90 (ninety) days of COD.

28.12.3 Pursuant to the payment of the Estimated Initial Non-Aeronautical Investments, and upon the final determination by the Independent Engineer of the quantum of the Initial Non-Aeronautical Investments, any surplus or deficit amount(s) to be paid by the Authority to the Concessionaire or the Concessionaire to the Authority, as the case may be, shall be adjusted as part of the Balancing Payment that becomes due and payable as per Clause 31.4 after the expiry of 15 (fifteen) days from such final determination.

28.12.4 The amount(s) to be paid by the Authority or Concessionaire pursuant to Clause 28.12.3 shall be the present value of the same, calculated using the fair rate of return as determined by the Regulator for the time period from the COD to the date of actual payment of such amount(s).

6.3. **Further AIAL has received Estimated Fixed Asset Register as on COD which accounts for tentative addition / deletions / depreciation & amortization from 31st March 2018 till COD.** As per Concession Agreement, this is subject to reconciliation, true-up and determination of final amount of Initial RAB by AERA as on COD. Following is the summary of the Estimated Fixed Asset Register as on COD for the assets transferred from AAI to AIAL:

S No.	Particulars (INR crore)	As on COD i.e. 07th Nov 2020	Additions from 07th Nov 2020 till 31st Mar 2021	Depreciation / Amortization for the period from 07th Nov 2020 till 31st Mar 2021	As on 31st March 2021
1	Terminal Building (Aero)	152.01	0.45	4.76	147.70
2	Runway, Taxiway and Apron	19.17	32.65	1.30	50.51
3	Software	0.04	1.51	0.11	1.44

4	IT equipment	0.00	1.30	0.09	1.21
5	Plant and Machinery	84.68	2.66	12.09	75.25
6	Terminal Building (Non-Aero)	6.41	0.02	0.20	6.23
7	Furniture & fixtures	0.42	0.39	0.04	0.76
8	Vehicles	2.45	-	2.29	0.16
9	Office equipment	0.62	2.62	0.14	3.10
10	Intangible Assets	-	25.55	1.44	24.10
11	**Total**	**265.78**	**67.16**	**22.47**	**310.47**

6.4. AEL itself or through its subsidiary AAHL has incurred expenses till COD. The expense incurred till COD have been apportioned as provided below in point 14.4.7 and 14.4.8. AIAL has capitalised these expenses as Intangible Assets.. Apart from this, AIAL since incorporation has itself incurred expenses till COD which includes expenses relating to employee cost, project management, travelling, various consultancies, etc to the tune of INR 6.90 Crores which are necessary for team creation and seamless transition of Ahmedabad Airport from AAI to AIAL. These are also capitalised as Intangible Assets in the books of accounts as per applicable accounting principles.

6.5. While preparing the MYTP, **Initial Regulatory Asset Base** has been comprising of following components: -

6.5.1. Estimated Fixed Asset Register obtained from AAI as on COD.

6.5.2. Add: - Assets, both tangible and intangible, capitalised during the period from COD till 31st March 2021

6.5.3. Less: - Depreciation and amortization on the above assets from COD till 31st March 2021.

The same can be referred from the assets as on 31st March 2021 in the audited financial statements. Refer Annexure - J for the audited financial statements.

6.6. AIAL requests AERA to kindly perform the requisite reconciliation to arrive at the final RAB as on COD which will accordingly change the Initial Regulatory Asset Base.

Capital Work in Progress (CWIP):

6.7. With respect to AIAL's obligations to pay AAI any amount incurred by AAI as on COD with respect to the contracts related to works-in progress, the Concession Agreement states the following[14]:

"Notwithstanding anything to the contrary in this Clause 6.4, the Concessionaire shall be liable to pay to the Authority such amounts as may have been incurred by the Authority as on the COD in respect of the contracts relating to works-in-progress as have been set forth in Schedule T. Such amounts shall be intimated by the Authority with supporting documents and details within 30 (thirty) days of COD and shall be due and payable by the Concessionaire to the Authority within a period of 90 (ninety) days thereon.

The Parties shall constitute a committee comprising representatives of the Concessionaire, Authority and each of the counterparties under such contracts, which committee shall be responsible for: (a) facilitating any discussions and/ or interactions amongst AAI, the Concessionaire and the counterparties under such contracts, including in respect of any modifications to the works, and (b) coordinating, facilitating, and monitoring the progress of such works-in-progress. The Concessionaire shall be responsible to incur any additional cost towards completion of such work-in-progress assets after COD.

Upon reimbursement by the Concessionaire to the Authority, of amounts as may have been incurred by the Authority as on the COD for such work-in-progress assets as provided for above, and completion of such works-in-progress by the Concessionaire, such works-in-progress assets shall form part of the Airport.

The amounts reimbursed by the Concessionaire to the Authority and additional amounts incurred by the Concessionaire for completion of such work-in-progress assets shall be considered as investments made by

[14] Clause 6.4.5. of the Concession Agreement

the Concessionaire in creation of such assets for the purpose of determination of Aeronautical Charges by the Regulator. In the event that any part of the amounts reimbursed by the Concessionaire to the Authority pursuant to this Clause 6.4.5 are not considered for pass-through by the Regulator due to any act or omission on the part of the Authority, the adjustment towards any differences in the amounts reimbursed by the Concessionaire to the Authority and the amounts considered for pass-through by the Regulator shall be undertaken as part of the Balancing Payment that becomes due and payable as per Clause 31.4 immediately after the determination of the Aeronautical Charges by the Regulator."

6.8. AIAL received the CWIP invoice[15] from AAI totalling INR 36.62 Crores (excluding GST) which is paid to AAI as per Concession Agreement. Apart from the ongoing work-in-progress assets, there will be new capex as per the master plan, which is detailed in the Capital Expenditure chapter.

[15] Annexure - H

7. Capital Expenditure

Disclaimer

AIAL is required to pay the stamp duty and registration charges on the Concession Agreement. AIAL would be required to bear the stamp duty and registration charges based on decision with the state authorities, and it will be added to the capital expenditure. For the time being, the numbers provided below for capital expenditure are exclusive of stamp duty and registration charges for the purpose of this MYTP calculation. AIAL hereby, reserves the right to include the stamp duty and registration charges and revise the Capital Expenditure in MYTP or shall be considered in subsequent control periods as part of true-up, depending on the future outcome of the matter.

7.1. The objectives of AIAL for the development of SVPIA are summarised below:

- Enhancement of Passenger & Cargo Handling Capacity.
- Enabling phase-wise development of Airport, in accordance with Traffic Forecast & CA requirements.
- Utilization of airport land for best use according to its value & potential.
- Minimum adverse impact on on-going airport operations.
- Minimum land acquisition.
- Utilization of all airport land, including encumbered / encroached land to enable its recovery for development.
- Flexibility to absorb changes in future.
- Improve the passenger experience to deliver a competitive offer, that includes best in class processes, a modern terminal ambience and a range of services that meets the needs of all passenger groups.
- Improve the sustainability credentials of the airport such as efficient resource management.

7.2. The main focus of the development strategy is to provide additional terminal and airside capacities (and the airport supporting infrastructure for safe operations) in a cost-effective way to meet the forecasted demand.

7.3. Schedule T and U of the Concession Agreement (Annexure – A) provides a list of works proposed by AAI that are in execution and/ or planning stages. As per the Concession Agreement, AIAL is obligated to complete the works proposed in Schedule T and U of the Concession Agreement[16].

7.4. Following is the summary of the proposed works that AIAL is obligated to carry out as per the abovementioned clause of the Concession Agreement (the list is indicative for major projects mentioned in Schedule T and U, there are other various projects which are awarded by AAI but not part of the Schedules):-

Proposed Work	**Schedule U/T**
Construction of New Control Tower Cum Technical Block and staff canteen i.e. electrical works at Ahmedabad	Schedule U
Extension of existing parallel taxi-track towards 23 end of runway. {construction of part parallel taxi along with angular Taxiway at S.V.P.I. Airport, Ahmedabad. (Civil + Electrical)}	Schedule U
Construction of New Domestic Terminal Building	Schedule U
Proposed modification in Domestic T-1 at Ahmedabad Airport (Civil & Electric Works)	Schedule U
Construction of cargo and courier terminal by demolishing old International Terminal T-3 (For construction of New Domestic Terminal Building)	Schedule U

*As on COD i.e. 07th November 2020, AIAL has received CWIP invoice of totalling INR 36.62 Crores (excluding GST) from AAI which majorly includes capital expenditure towards construction of apron. As on date all the on-going projects received from AAI as part of CWIP have been executed and commissioned.

7.5. Presently SVPIA has two existing operational terminals, Terminal 1 (T1) and Terminal 2 (T2). Terminal T1 with capacity of approx. 5.0 MPPA serves the domestic passenger traffic while Terminal 2 with capacity of 2.5 MPPA

[16] Clause 4.1.3. of the Concession Agreement

serves the international passenger traffic. Thus, the total existing passenger terminal capacity at SVPIA is approx. 7.5 MPPA. In FY2020 (Pre-Covid 19) Domestic terminal T1 with area of approx. 34,158 sqm (including canopy area of 2,934 sqm). catered to approx. 9.1 MPPA and International terminal T2 with area of approx. 45,462 sqm (including canopy area of 5,474 sqm). catered to approx. 2.3 MPPA. By FY 2020, T1 had already exceeded its capacity utilization substantially, which affected the Level of Service (LOS) with major bottlenecks in passenger processing, especially in security check area. T2 was nearing its design capacity and would have exceeded it, had Covid-19 pandemic not occurred.

7.6. As per the CAPA report and internal traffic forecast assessment for SVPIA, considering the Covid-19 impact implies that approx. 16.96 MPPA (Dom – 13.55 MPPA and Intl – 3.4 MPPA) passenger traffic will go through SVPIA in FY 2025 which will grow to approx. 19.85 MPPA in FY 2026 and about 31.10 MPPA by FY 2030. This is considering the rebound of DOM traffic to pre-Covid 19 numbers between FY 2022 and FY 2023, whereas Intl traffic would reach pre-Covid 19 levels by FY 2024.

7.7. In order to meet the projected traffic demand, to ensure required LOS as per CA and to optimize the capex, AIAL has proposed to undertake refurbishment along with capacity enhancement of existing terminals (before the traffic rebounds) by enhancing T1's capacity from current 5.0 MPPA to approx. 8.0 MPPA. As recovery of domestic traffic is expected to happen faster, spill over domestic traffic from T1 (beyond 8.0 MPPA) is proposed to be accommodated in T2, which currently caters only to international passengers. Thus, T2 is proposed to be converted to an integrated terminal by enhancing its current capacity of 2.5 MPPA to approx. 8.8 MPPA (Intl – 3.1 MPPA and Dom – 5.7 MPPA). After commissioning the enhanced/upgraded Terminals 1 and 2 in FY 2023-24, the total terminal capacity will be around 16.8 MPPA which is expected to meet the traffic demand up to FY 2025.

7.8. A new integrated terminal building (NITB) is proposed to cater to traffic growth beyond FY 2025. NITB is planned for approx. 20 MPPA is required

to be operational in February 2026. Once it is operational, all the domestic traffic from T1 is proposed to be shifted to the NITB, post which T1 will be decommissioned.

7.9. Under the Concession Agreement, AIAL is mandated to adhere to the best-in-class standards, safety & security of passengers and convenience of user communities. AIAL has done a detailed analysis of the various gaps s at Ahmedabad Airport in terms of safety, security, passenger processing and convenience. AIAL will be undertaking various capital expenditure (PMC and Design, Enabling cost, Technical, Insurance, pre-operatives, preliminaries, contingencies, interest during construction etc. will be extra) over the period of next 5 years.

7.10. The key infrastructure works, including the terminal works as explained in above 7.7 and 7.8, proposed in TCP are summarized in the table below:-

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
1	**Airside Improvement Works totalling INR 1,282 Crores**	The proposed Airside Improvement Works included in the 3rd Control Period for SVPIA are very important to ensure operational compliance, safety of operation and retaining capacity.	**<u>Runway Improvement Works</u>** • **Development of RESA for RWY 23 end and RWY 05 end* - Provision of full RESA 240 x 90m for RWY 23 and RWY 05 is required for DGCA compliance and to ensure safety of flight operations. • **Relocation of Glidepath (GP-23) at Runway 23* - The current location of GP-23 and its critical area shall affect runway operation once full Code C parallel taxiway is constructed. To avoid the same, the relocation of GP-23 is required. ** Value of above projects is not included in this MYTP* **<u>Taxiway Improvement Works</u>** • *Construction of Full-Length Code C Parallel Taxiway (Part of this taxiway is existing* - To ensure efficient & safe aircraft movements by avoiding back tracking & runway incursion, and to enhance runway as well as airport capacity, a full-length Code C parallel taxiway is proposed on northwest of RWY in SVPIA Master Plan.	Proposed to be completed in TCP subject to availability of required land. Proposed to be completed in TCP subject to availability of required land. To be completed by FY2024 subject to availability of required land.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			• *Construction of Cargo Apron associated Taxiway* - To avoid creation of hotspot situation in front of proposed new cargo complex apron, this part parallel Code E TWY connecting to RWY is essential.	To be completed by FY2024.
			• *Construction of New Rapid Exit Taxiways - RET 23* - To improve runway capacity by minimizing runway occupancy time by arriving aircrafts	To be completed by FY2026.
			• *Construction of Connecting Taxiways to new GA Hangar, Aprons, Runup Bay, and Isolation Bay and IAF Apron (south of Runway)* - To connect & ensure operation of the new proposed GA Hangar, Apron, Runup Bay, Isolation Bay and existing IAF apron located south of Runway, to the runway.	To be completed by FY2024
			Apron Improvement Works • *Construction / Expansion of Apron 1 & 2 and Realignment of existing aircraft stands* - This To accommodate current and upcoming aircraft stand demand to balance terminal capacity (post upgradation)	To be completed by FY2023.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			with airside / apron capacity by increasing the parking stands.	
			• *Construction of Cargo Apron (including taxi lane and HoS road)* - This project is required to provide dedicated wide body freighter aircraft parking stands required for new AIAL cargo complex. Currently there is no such facility at SVPIA.	To be completed by FY2023.
			• *Construction of Apron associated with New Integrated Terminal* - A New Integrated Passenger Terminal of 40 MPPA capacity is required for SVPIA to serve the projected traffic demand. This new Terminal needs to be commissioned by Feb 2026 with capacity of 20 MPPA. Apron for this new terminal needs to be built to provide required contact and remote stands, for the projected pax traffic demand.	To be completed by FY2026.
			• *Construction of West Apron for remote stands* - As part of airside expansion of New Integrated Passenger Terminal, the associated apron construction on western edge of airfield is required for remote parking stands to balance the airside	To be completed by FY2026.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			and terminal capacity for the projected pax traffic demand. • *Construction of GA Apron, interim taxiway, airside roads associated with VVIP Terminal* - The demand for GA requires additional Hangars and parking stands. Therefore, new GA Apron needs to be constructed on available land on north-western part of SVPIA along with hangars, interim taxiway, airside roads associated with GA, and new VVIP Terminal which proposed close to it. **<u>Construction of Isolation Pad/Bay</u>** The existing Isolation Bay / Pad location comes in the way of new taxiway which is required for new GA facility on south of the RWY. Therefore, existing Isolation Bay / Pad needs to be shifted/re-built on available land close to its current location. **<u>Construction of Passenger Holding Area</u>** Currently this passenger safety and rescue facility is not available at SVPIA, but it is a mandatory requirement as per DGCA and needs to be located near Isolation Bay.	To be completed by FY2024. To be completed by FY2024. To be completed by FY2024.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			<u>Construction of Code E Runup Bay (including Blast Fence)</u> Currently this important operational facility is not available at SVPIA. Runup Bay is required as part of aircraft maintenance / servicing.	To be completed by FY2024.
			<u>Construction of CCR Buildings</u> The capacity of current CCR is limited and it needs to be rebuilt to serve the future demand. The new CCR Building at Runway 05 end shall be constructed subject to availability of land & removal of existing encumbrances.	To be completed by FY2024.
			<u>Provision of Oil Water Separator</u> This is In order to comply with the environmental compliances, Oil Water Separator/s are proposed to be provided at required locations on the airside.	To be completed by FY2024.
			<u>Construction of New Airside Security Gates 1 & 2</u> In order to ensure security and access controls, two new Airside Security Gates need to be constructed at appropriate locations, consequential to refurbishment of existing terminals	Gate 2 - To be completed by FY2023. Gate 1 - To be completed by FY2026.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			and proposed New Integrated Passenger Terminal and new airside development. **<u>Relocation of Bomb Cooling Pit</u>** It needs to be relocated to ensure development of future GA Apron along with Hangars **<u>Development of GSE Staging Area</u>** As the existing GSE staging area comes in the footprint of proposed new airside development, and additional GSE area is also required to meet the demand, new GSE staging facility is required to be developed. **<u>Construction of GSE Maintenance Facility</u>** Currently this important operational facility is not available at SVPIA. Considering operational requirement of a dedicated maintenance facility for ground support equipment and vehicles, GSE Maintenance Facility is proposed on airside to avoid movement of GSE equipment & vehicles from airside to landside to ensure operational efficiency and safety.	To be completed by FY2022. To be completed by FY2023 and FY2025. To be completed by FY2025.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			<u>Construction of ARFF Building</u> The existing ARFF facility comes in the footprint of proposed new AIAL Cargo Complex, and therefore needs to be relocated. This is a vital relocation/enabling project.	To be completed by FY2024.
			<u>Construction of Hangar No. 01 (GUJSAIL) Hangar and associated Apron</u> The existing Hangar of GUJSAIL and its apron comes in the footprint of proposed New Integrated Passenger Terminal, and therefore needs to be relocated. This is a vital relocation/enabling project.	To be completed by FY2024.
			<u>Construction of Hangar No. 02 and associated Apron</u> In view of increasing demand for GA facility at SVPIA, this Hangar with associated apron shall be constructed to meet the demand of existing user.	To be completed by FY2024.
			<u>Construction of Hangar No. 03 and apron</u> In view of increasing demand for GA facility at SVPIA, this Hangar with associated apron shall be constructed to meet the demand of existing user.	To be completed by FY2024.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			Construction of Hangar No. 4 & 5 (new Code-C GA Hangars), south of Runway with associated apron In view of increasing demand for GA facility at SVPIA, two new Code C GA Hangars are proposed to be constructed on south of Runway, with associated apron for 2 Code C or 1 Code E aircrafts. This shall help in meeting the demand.	To be completed by FY2024.
			Construction of MT Workshop The existing MT Workshop comes in the footprint of proposed New Integrated Cargo Terminal & its apron, and it therefore needs to be relocated. Based on future demand, the facility needs to be rebuilt with larger capacity at new location.	To be completed by FY2024.
			Installation on new SMR In order to ensure safe operational, a new SMR is required to cover the new extended airside area.	To be completed by FY2026.
			Development of In-to- Plane Facility In-to Plane Facility is presently not existing at SVPIA and is required for Refuelers, to ensure safe and efficient airside operations.	To be completed by FY2026.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			<u>Development of Airside Fuel Station</u> Currently there is no such facility at SVPIA. To reduce movement from airside to landside for re-fueling of airside vehicles, this facility is necessary to ensure safe and efficient airside operations. **<u>Construction of Airside Roads</u>** Due to new airfield development, reconfiguration, compliance and land acquisition, the existing airside road needs to be constructed at appropriate location to maintain airside road network. **<u>Construction of Emergency Airside Roads</u>** In view of relocation of ARFF and provision of Emergency Airside Exit Gates, Emergency Roads need to be built along the RWY to connect runway and aprons to the Emergency Exit Gates. **<u>Construction of Airside Boundary Wall</u>** In view of proposed land acquisition for implementation of projects like new Code C parallel taxiway, full RESA-05 on eastern end of the runway, etc. the existing airside boundary wall needs to be re-	To be completed by FY2024. To be completed by FY2026. Related to T1 and T2 refurbishment - To be completed by FY2023. Related to NITB - To be completed by FY2026 To be completed by FY2023.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			constructed. Similarly, some of the existing airport site area which were not utilized earlier, need to be included within airside area, and therefore new airside boundary wall needs to be built at these locations. Thirdly, some sections of existing airside boundary walls need to be re-constructed in view of their current physical condition to ensure airport security.	
			Provision of Perimeter Intrusion Detection System (PIDS) SVPIA presently does not have PIDS along / on its airside boundary wall. However, in view of security considerations, SVPIA requires PIDS as part of its airport security infrastructure.	To be completed by FY2026.
			Taxiway Overlay Works To carryout resurfacing of the existing flexible pavement Taxiways to increase the pavement strength and eliminate FOD generation.	To be completed by FY2024.
			Runway Recarpeting. Based on the existing perimeter road condition, recarpeting is required to	To be completed by FY2023.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			maintain serviceability. At few locations, road width will be increased for operational safety movement of the vehicles, Aerodrome Safeguarding equipment's, Runway Recarpeting, are the major works proposed in this, Taxiway improvement works.	
2	**Terminal Improvement Works totalling INR 4,210 Crores**	**Terminal 1 Improvement Works:** The existing Domestic Terminal 1 with built up area of 34,158 sqm has two levels (including canopy area of 2,934 sqm). AIAL proposal is to undertake refurbishment along with capacity enhancement to upgrade the capacity, expand and refurbish T1 with increased total built-up area of 40,934 sqm (including canopy area of 2,934 sqm) for enhanced operational performance and better passenger experience as per CA requirements. AIAL has identified several Terminal Improvement Works to address the issues in current design, and to capture full potential of the Terminal 1 from functional, operational, and	**Terminal 1 Improvement Works** 1. Refurbishment along with capacity enhancement of Terminal 1 capacity from 5.0 MPPA to approx. 8.0 MPPA. 2. Removal / relocation of existing courtyard garden of 850 sqm and constructing approx. 2900 sqm of usable space and building roof 3. Relocation and enhancement of Security screening lanes with all associated services (6 Existing + 5 New + 1 Future) 4. Ground Floor front façade to be moved in alignment with rest of the front facade and extending departure kerb. 5. Addition of no. of Terminal entry points and fast track entry	Existing T1 & T2 refurbishment to be completed by FY2023

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
		maximizing value perspective, to optimize capex.	6. Addition of 7 (including 5 SBDs) additional check-in counters with associated BHS system and allowing space for future provision. 7. Interior refurbishment & addition of Public Toilet as per revised Pax. Numbers 8. Addition of Contact stands, FLBs and PBBs (2 No.) and gate seating enhancement 9. Additional building construction of approx. 2200 sqm. to accommodate baggage reclaim carousels (1 no. relocated + 1 no. new) 10. Addition of inline CT X-ray (1 no.) with associated conveying system and makeup carousels. 11. ICT system improvements - Replacing all old 8 ports network unmanaged switches, deployment of SBDs, e-Gates and new check-in systems for additional check-in counters in an integrated manner, enhancement of ACS system, existing Server, and Telecom Rooms, etc.	

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
		Terminal 2 Improvement Works: The existing International Terminal 2 with built up area of 45,462 sqm has two levels (including canopy area of 5,474 sqm): AIAL proposal is to undertake refurbishment along with capacity enhancement to upgrade & convert T2 into an Integrated Terminal, enhance its capacity, expand, and refurbish with increased total built-up area of 54,474 sqm (including canopy area of 5,474 sqm) for accommodating spill-over domestic traffic from T1, enhanced operational performance and better passenger experience as per CA requirements.	**Terminal 2 Improvement Works** 1. Refurbishment along with capacity enhancement of Terminal 2 capacity from 2.5 MPPA to approx. 8.8 MPPA and converting it to an integrated terminal by repurposing underutilized spaces. a. To maximize the utilization of T2, to improve and accommodate additional domestic traffic relieve T1 and to meet the Level of Service to meet the CA requirements. Intent is to sweat existing assets till the NITB is built and commissioned. 2. Reorientation of International passenger flows and adding domestic passenger processors and flows ensuring clear demarcation between Int and Dom flows. 3. Addition of appx 4000 sqm of New Check-in hall by adding 26 nos Check-in counters (including 5 nos. SBDs) along with queuing space with all associated BHS system and passenger amenities. 4. Relocation of BMA area to new Check-in block to accommodate the required area for operations. Enhancement of	Existing T1 & T2 refurbishment to be completed by FY2023

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			Departure Baggage handling System including introducing level 2B screening and makeup carousel in BMA. 5. Enhancement & relocation of Security screening with all associated services (4 existing + 7 new + 3 future lanes) 6. Relocation of Emigration area with 4 nos of additional counters and associated space. 7. Addition of 4 no. of Terminal entry points and fast track entry. Making new vestibules with airlock lobby, airline ticket counters and associated modifications to existing façade and improvements in Dep. & Arr. Kerb. 8. Relocation of current INT arrivals and Immigration and addition of Bus Gates (Dom & Intl) 9. Addition of 2 no. FLBs, Extension to 3 nos. FLBs & 7 nos. PBBs	

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			10. Swing provision in contact and bus gates. 11. Relocation of International arrivals, addition of 2 no of counters along with queuing space, new vertical core (2 escalator, 1 elevator & 1 staircase) and enhancement of Immigration area by addition of approx. 2000 sq.m. footprint of new building, addition of INT bus arrivals canopy and associated civil and fit-out works. 12. Addition of Domestic arrival route including demolition of existing vertical core and adding new vertical core (l escalator, 1 elevator & 1 staircase) as per improved layout. 13. Optimization of baggage reclaim carousels by relocating existing 1no. Carousel within proposed swing carousel location and addition of 1 carousel. 14. ICT system improvements - Replacing all old 8 ports network unmanaged switches, deployment of SBDs, eGates	

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			and new check-in systems for additional check-in counters in an integrated manner, enhancement of PA system, ACS system, existing Server, and Telecom Rooms, etc. 15. Interior refurbishment including rework and addition of Public Toilet, relocation of stakeholder spaces, lounges, signage upgradation, etc. 16. Improvement / addition of goods in waste out strategy and associated provisions. **<u>New Integrated Passenger Terminal Building - (20 MPPA)</u>** A detailed Program Brief along with a concept design is prepared and further Design Development will be initiated in the next financial year. The New Integrated Terminal Building will be completed by February 2026. Once NITB is ready for operations, all the domestic traffic from T1 & T2 will be shifted to the NITB. T1 will be decommissioned after commissioning of of NITB	To be completed by FY2026.
		New Integrated Passenger Terminal Building (20 MPPA) Integrated NITB is proposed to cater to 20 mppa with a built-up area of approx. 214,000 sqm and is required to be operational by FY 2026. It is planned to be a multi-level terminal with main departure level at 13 m, arrival mezzanine at 6m and arrival level at 0.0 m, well connected on the landside with elevated departure roadway and at grade road network at arrival level.		

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
		A multi-modal transport hub (MMTH) is envisioned abutting the NITB which integrates bus station, car park, metro station, city side check-in and self-bag drop (SBD) facility, Curbside facilities for passengers / visitors arriving early at the airport from surrounding villages, towns and cities, staff and stakeholder facilities – all connected seamlessly to the main levels of the NITB setting a new benchmark for the state and the country offering world class passenger and user experience. **AAI Cargo warehouse** Enabling cost for demolition of existing AAI cargo warehouse to clear the space which will be utilised for NITB and construction of new facility.		
3	**Landside Projects and Support Building Facilities**	Landside development works proposed to be implemented in TCP are majorly relating to T1 & T2 landside implements, Conversion of Ceremonial lounge to GA terminal, Building a new Airport Health	**Terminal Landside Improvements for T1 & T2.** Terminal Landside Improvements works needs to be undertaken to provide requisite landside capacity as well as configuration for terminal access roads, parking, passenger	To be completed by FY2023.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
	totalling INR 1,572Crores	Office, Construction of new GA terminal, Construction of new roads, installation of signages, Construction of new IMD/MET facility, construction of new ATC block and tower in AAI colony, Construction of underground airport metro station, etc. One of the major aspect is land acquisition as implementation of projects such Full Length Code C Parallel Taxiway, Full RESA at RWY 23 end and RWY 05 end and RoW for Expansion of Main Access Road & Metro Corridor to SVPIA will be dependent majorly when land is allotted/ acquired by AIAL.	amenities, traffic flows etc. Presently, the landsides of both terminal exhibit several in-adequacies. This project is intended to resolve exiting conflicts in flows, deficiencies in facilities, induce efficient landside operations and enhance passenger experience. **<u>Conversion of Existing Ceremonial Lounge into GA Terminal.</u>** This project is required to provide GA Terminal Facility to serve the pent-up demand for GA, by modifying existing un-used Ceremonial Lounge building. The project includes renovation & interiors of existing building, improvements to its landside and airside areas. **<u>Decommissioning of Existing Tunnel Between T1 & T2, & Decommissioning of T3.</u>** The existing un-used underground pedestrian tunnel connecting T1 & T2 needs to be de-commissioned, and the space filled up. Apart from recurring cost of this un-used tunnel, it is a major encumbrance for development landside facilities for T1 & T2, and for future airport facilities. The existing cargo facility	To be completed by FY2022. To be completed by FY2023.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			(T3) comes within the footprint of New Terminal and shall be decommissioned once the New Integrated Cargo Complex (ICT) is commissioned.	
			Construction of New GA Terminal. The present Ceremonial Lounge at SVPIA comes in the footprint of proposed New Integrated Terminal and shall be decommissioned / demolished. Therefore, AIAL has proposed a new VIP Terminal as part of TCP.	To be completed by FY2024.
			Installation of Landside Direction Signages. Currently SVPIA is deficient in terms of landside signages for better guidance to passengers & other airport users towards terminals & other airport support facilities. Therefore, new signage system, including few gantry signs need to be implemented for convenience of all airport users.	To be completed by FY2022.
			Construction of New Roads. In view of required new terminal and several other airport facilities and	

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			due to relocation of some of the existing facilities, new roads need to be constructed to provide access to them. These roads shall be constructed in phases, and three such new roads need to be constructed in 3rd Control Period. **<u>Construction of new IMD/MET Facility.</u>** This project is required because the land under existing IMD/MET Facility is required for future expansion of New Cargo Complex Development. The existing MET / IMD facility is proposed to be relocated/re-constructed on plot of land in AAI Colony (to be handed over to AIAL). **<u>Construction of ATC Block & Tower in AAI Colony.</u>** The existing ATC Block & ATC Tower come in the footprint of future expansion of proposed new Integrated Terminal. Therefore, as part of the Master Plan development, these are proposed to be relocated in AAI Colony. This project was originally proposed by AAI and AIAL shall implement the same.	Related to T1 and T2 refurbishment - To be completed by FY2023. Related to NITB - To be completed by FY2026 To be completed by FY2024, FY2025 and FY2026. To be completed by FY2025.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			Construction of Underground Metro Line Section within SVPIA Site. SVPIA is expected to generate more than 2.5 lakh person trips daily, when fully developed, while the existing transport system of Ahmedabad, particularly in vicinity of SVPIA is witnessing rapid increase in traffic volumes. Due to limitations & constraints in augmentation of existing road network capacity of roads connecting to airport, metro rail connectivity to SVPIA is essential. Govt of Gujrat (GoG) and Gujarat Metro Rail Corporation Limited (GMRCL) have SVPIA metro rail connectivity as part of the MEGA (Metro-Link Express for Gandhinagar and Ahmedabad) Project which is a rapid metro rail transit system connecting the city of Ahmedabad, Gandhinagar & GIFT city, and SVPIA. This project is expected to be completed by 2024-25, including airport section from Koteshwar Road Station to SVPIA. Implementation of this project is subject to RoW / land availability from Cantonment Board.	To be completed by FY2025.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			<u>Construction of Underground Airport Metro Station.</u> As part of the metro connectivity for SVPIA, in addition to the metro line described above, the underground Airport Metro Station shall also be required to be constructed by SVPIA, at its cost. The Airport Metro Station shall be constructed simultaneously with the metro line work. The BUA of about 28000 Sq. Mtrs shall be required for underground Metro Station. **<u>Construction of Multi Modal Transport Hub for New Integrated Passenger Terminal.</u>** In view of future demand, construction of Multi-model transport hub which integrates bus station, car park, metro station, premium car park, baggage sorting area as well as taxi/cabs, is proposed in TCP **<u>Construction of Roadway System for New Integrated Passenger Terminal (Elevated & At-Grade).</u>** The New Integrated Passenger Terminal shall be a multi-level facility, with departure at +11.00m and arrival at ground level. Therefore,	To be completed by FY2025. To be completed by FY2026. To be completed by FY2026.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			the terminal multi-level roadway system of elevated and at grade roads connecting to its kerbs shall be constructed along with the new terminal.	
			Construction of Additional CISF Quarters. The existing CISF bachelor's accommodation will have to be increased, on an optimised site area of 4.25 Ha (10.50 acres). Additional 629 CISF Bachelors accommodation along with required support facilities shall be developed, subject to approval of AERA for this project. Family Quarters shall not be part of this project.	To be completed by FY2025.
			Construction of AAI Cargo Warehouses within Carved Out Area. As per the terms of Concession Agreement, the existing cargo complex land area of 7 hectares (17.5 acres) operated by AAICLAS is a Carved-Out Asset and has been retained by AAI. However, as part of the new integrated terminal development, its associated remote apron along the north-western boundary of airport, partly on the said Carved Out land is essential for	To be completed by FY2026.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			development of remote Code C parking stands. Therefore, AIAL has proposed shifting of the location of Carved-Out land further south-west of its current location, with equivalent land area. This shall affect existing old structures located in currently demarcated Carved Out land area and will have to be re-built for AAI. **<u>Construction of Landside Retail Fuel Stations.</u>** At present fuel stations for re-fuelling of vehicles of passengers, visitors, staff, and other airport users are not available at SVPIA, but considering the demand for it, two fuel stations shall be developed within SVPIA site to provide petrol, diesel, gas, and electric charging facility for vehicles of all airport users. **<u>Landscape Development & Tree Plantation.</u>** As part of environmental sustainability measures to develop SVPIA as a green airport, statutory requirements of tree transplantation/plantation and to create natural ambience befitting a	To be completed by FY2024. Related to T1 and T2 refurbishment - To be completed by FY2023.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			landmark international airport, several green areas need to be developed within airport site. **<u>Expansion / Widening of Existing Landside Roads.</u>** In view of increase in passenger traffic and introduction of several new facilities, the vehicular traffic at SVPIA shall increase, despite metro taking a share of the daily trips to/from the airport. Therefore, to provide required size of road infrastructure considering peak hour traffic volume/ demand, existing roads shall be expanded/widened with additional lanes to serve the demand, along with utility corridor, storm water drains and landscape. The Roads required widening / expansion are: 1- Existing MAR starting from Airport Circle. 2- Existing Road along AAI quarters till Integrated Cargo Complex	Related to NITB - To be completed by FY2026. To be completed by FY2026. To be completed by FY2026.
3	**Utility projects totalling INR 572 Crores**	Various utility improvements to support the overall infrastructure at the SVPIA. It will help to ensure environment regulations and will	**<u>Rainwater Harvesting Ponds.</u>** Rainwater Harvesting Ponds are required to be developed at SVPIA to ensure compliance with environment	To be completed by FY2025.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
		bring in culture of sustainability for the Airport. These works are located at different locations within the airport site	regulations, as well as to reduce freshwater consumption. **<u>Expansion of Sewage Treatment Plant, Recycled water Storage Tanks & Hydropneumatics system.</u>** The sewerage generation at SVPIA shall increase in to 4.16 MLD. Current STP capacity is very limited. This needs to be urgently enhanced to ensure compliance with environment regulations, to provide required sewerage treatment facility and to recycle wastewater. **<u>Development of Solid Waste Collection Facility.</u>** SVPIA currently does not have this important facility. The Solid Waste facility is required for storage & segregation of solid waste as per GPCB norms & environment regulations to ensure safe and hygienic environment at the airport. **<u>Development of Substation / DSS & Chiller Plant.</u>** The DSS Power Substation & Chiller Plant for new Integrated Terminal shall be required to provide power &	To be completed by FY2026. Related to T1 and T2 refurbishment - To be completed by FY2023. Related to NITB - To be completed by FY2026. To be completed by FY2026.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			HVAC supply. This shall be developed on site close to the terminal. The capacity of existing DSS & HVAC plant in existing Utility Complex Building of SVPIA shall be enhanced to serve the demand of other airport facilities. **<u>Development of Gas Insulated Switchgear (GIS) RSS / Power Substation.</u>** The existing Torrent Power Receiving Sub-Station (RSS) is based on Air Insulated Switchgear (AIS) system and is located on a large site area of SVPIA. The power demand of SVPIA shall increase to 25 to 30 MW in future. In view of this, a new RSS with Gas Insulated Switchgear (GIS) technology is proposed to be developed at the current location of Torrent Sub-Station on an optimised land area. **<u>Installation of Solar Panels on Roof Tops.</u>** AIAL has planned to install Solar Panels on roof tops of existing structures and also on proposed new structures of various airport facilities including new integrated passenger terminal. This is required as part of environmental sustainability	To be completed by FY2025 and FY2026. To be completed by FY2023 and FY2024.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
			measures to develop SVPIA as a green airport **<u>Triturator.</u>** This facility is required for safe and hygienic disposal of waste from aircrafts toilets and is also necessary to ensure compliance with safety and environment regulations. **<u>Development of Hazardous Waste Storage Facility.</u>** SVPIA currently does not have this facility, which is essential for safe airport operations, and is also essential to ensure compliance with safety and environment regulations. **<u>Development of External & Internal Storm Water Drainage Network.</u>** Currently there is no proper drainage system at SVPIA. To avoid impact on daily safe operation due to waterlogging a proper drainage system in line with master plan is required.	To be completed by FY2026. To be completed by FY2024. Related to T1 and T2 refurbishment - To be completed by FY2023. Related to NITB - To be completed by FY2026.
4	**AIAL Cargo Facility**	This is discussed in detail in separate chapter 12 of this MYTP. Kindly refer the same.		**ICT** - To be completed by FY2024.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
	Project totalling INR 343 Crores			**Cargo equipment's** to be purchased from FY2022 to FY2024.
5	**Acquisition of existing static/mobile assets of Oil Companies and New Fuel Storage and Distribution Facility Project totalling INR 149 Crores**	This is discussed in detail in separate chapter 11 of this MYTP. Kindly refer the same.		**Acquisition of existing fuel farm facilities** - To be completed by FY2023. **New fuel farm facility** - To be completed by FY2024. **Hydrant System** - To be completed by FY2026.
6	**Operation Capex totalling INR 283 Crores**	Operation Capex covers the capital expenditure for works critical to airport operations, and: • The proposed operational capex projects will ensure business continuity, operational readiness, and passenger satisfaction. • Some of the projects will improve the security	**<u>Individual projects above Rs. 15 Crores</u>** Airside storm drain works), DARK (Disabled Aircraft Removal Kit). **<u>Solar Panels.</u>** Solar panels installation for sustainability improvement as mentioned in section 2.4 utility projects.	To incurred in FY2022 and FY2023 To be completed by FY2024.

Sr. No.	Facility	Description	Projects Proposed	Expected Timelines for Completion
		preparedness and the physical & network connectivity at the airport. • Some of the projects are proposed to address observations of regulatory agencies such as DGCA and BCAS • IT infrastructure betterment is another objective, for instance by improving the FIDS and technological upgradation of AOCC and Apron Control.	**Miscellaneous (Various project less than Rs 15 Crores each).** In order to ensure to safety and security of aircraft and passengers, and to comply with DGCA / BCAS requirement various works have been planned. This also includes the expenses for upgradation of passenger facilitation.	To be incurred over a period of 5 years in TCP

7.11. Presently SVPIA has a single runway (05-23) orientated in north-east to south-west direction, with length of 3,505 meters and width of 45m which is adequate for Code E aircraft operations. The predominant direction of operation for take-offs and landings is towards the southwest (23 direction). The runway length of 3,505m enables all narrow body aircraft to operate without commercial weight restrictions. (i) Development of mandatory Runway End Safety Area (RESA) of airport, at the end of runway, is essential compliance requirement. (ii) Similarly, development of full-length parallel taxiway is another important necessity for SVPIA to enhance its runway capacity and to improve operational efficiency. (iii) Another important DGCA compliance requirement is to have Runway Basic Strip of 140 m from the centreline.

In order to take up these projects, erstwhile Airport Operator i.e. AAI had initiated discussion with local state authorities for acquiring land measuring approx. 52.84 Acres. After privatization, AIAL has actively carried forward those discussions with AAI and state authorities (refer Annexure - K attached).

Total land of 20.24 Acres out of 52.84 Crs is immediate requirement to cater to critical projects in the Third Control Period.

AIAL acknowledges that acquisition of land is time consuming. It involves multiple stakeholders, various processes and procedures which have variability on the timing and cost of the acquisition of land. Considering these factors, AIAL has not considered the costs of land acquisition and some of the project dependent on availability of land in this MYTP. Therefore, AIAL request the AERA to kindly consider the necessary true-ups for the same in the next control period and to provide for eligible return on land acquisition cost. AIAL will keep AERA informed on the developments of the matter from time to time.

7.12. The total Project Cost is proposed to be financed at a debt equity ratio of 65%:35%, which is in line with funding plan generally considered by various institutions for infrastructure assets.

7.13. Following is the Capital Work In Progress (CWIP)

S. No	Particulars (INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
1	**Opening balance**	4.20	408.99	560.69	1,880.04	3,292.33	**4.20**
2	Additions to CWIP	522.65	2,024.14	2,614.37	2,623.24	2,034.31	**9,818.70**
3	Transfer to gross block	(117.86)	(1,872.44)	(1,295.01)	(1,210.95)	(5,326.64)	**(9,822.91)**
4	**Closing block**	408.99	560.69	1,880.04	3,292.33	-	**-**

(The above numbers are exclusive of Financing Allowance but includes PMC and Design, Enabling cost, Technical, Insurance, pre-operatives, preliminaries, contingencies, etc.)

7.14. Following is the summary of capital expenditure (additions to CWIP) of third control period for the airport as prepared by in-house experts:

S. No.	Particulars (INR Crores)	FY22	FY23	FY24	FY25	FY26	**Total**
1	Terminal Building (Aero)	227.03	975.53	1,106.21	1,651.47	1,383.36	**5,343.61**
2	Runway, Taxiway and Apron	219.81	527.44	379.88	213.74	221.62	**1,562.49**
3	Cargo building	-	105.38	218.01	-	-	**323.39**
4	Cargo Equipment	6.47	-	102.07	-	-	**108.54**
5	Boundary wall	-	26.05	4.22	3.99	0.64	**34.89**
6	IT equipment	5.02	13.14	7.96	4.50	3.91	**34.53**
7	Security equipment	8.55	17.18	0.93	0.89	1.59	**29.14**
8	Plant and Machinery	30.02	64.63	180.09	82.70	81.89	**439.33**
9	Other Buildings	9.95	157.62	455.45	417.89	19.02	**1,059.93**
10	Access Road	3.50	19.86	37.24	134.18	227.36	**422.13**
11	Terminal Building (Non-Aero)	12.31	52.91	59.99	89.57	75.03	**289.81**
12	Vehicles	-	2.28	-	0.41	-	**2.69**
13	Fuel Farm	-	62.12	62.31	23.91	19.89	**168.23**
14	**Total**	**522.65**	**2,024.14**	**2,614.37**	**2,623.24**	**2,034.31**	**9,818.70**

7.15. Total capitalised amount (deletions from CWIP)

S No	Particulars (INR Crores)	FY22	FY23	FY24	FY25	FY26	**Total**
1	Terminal Building (Aero)	(44.01)	(990.02)	(70.92)	(222.57)	(4,016.09)	**(5,343.61)**
2	Runway, Taxiway and Apron	(10.61)	(648.39)	(458.41)	(4.43)	(444.86)	**(1,566.70)**
3	Cargo building	0.00	0.00	(323.39)	0.00	0.00	**(323.39)**
4	Cargo Equipment	(6.47)	0.00	(102.07)	0.00	0.00	**(108.54)**
5	Boundary wall	0.00	(24.63)	(1.63)	(1.17)	(7.46)	**(34.89)**
6	IT equipment	(5.02)	(13.14)	(7.96)	(4.50)	(3.91)	**(34.53)**
7	Security equipment	(8.55)	(17.18)	(0.93)	(0.89)	(1.59)	**(29.14)**
8	Plant and Machinery	(29.28)	(64.92)	(41.45)	(124.34)	(179.34)	**(439.33)**
9	Other Buildings	(9.95)	(10.96)	(201.85)	(817.95)	(19.21)	**(1,059.93)**
10	Access Road	(1.59)	(14.83)	(6.61)	(22.62)	(376.49)	**(422.13)**
11	Terminal Building (Non-Aero)	(2.39)	(53.69)	(3.85)	(12.07)	(217.81)	**(289.81)**
12	Vehicles	0.00	(2.28)	0.00	(0.41)	0.00	**(2.69)**
13	Fuel Farm	0.00	(32.40)	(75.94)	0.00	(59.88)	**(168.23)**
	Total	**(117.86)**	**(1,872.44)**	**(1,295.01)**	**(1,210.95)**	**(5,326.64)**	**(9,822.91)**

Airport Users Consultative Committee (AUCC): AIAL conducted Airports Users Consultative Committee with all relevant stakeholders on 21st January 2022. The need and costs for all the projects above INR 15 Crores (minimum of 5% of opening RAB, 50 Cr whichever is lower) were discussed in AUCC. The minutes of the meeting of AUCC are submitted as Annexure – N.

8. Allocation Methodology

Common Assets Fixed Asset Allocation:

8.1. AIAL has appointed a chartered engineer whose report will be the basis for allocation of common assets into aeronautical and non-aeronautical categories. The area in terminal has been bifurcated based on the chartered engineer's report where commercial area in the terminal has been identified (refer to Annexure – C).

8.2. The technical evaluation process followed to summarize current possession status of the area within the terminal building is as follows:

8.2.1. Physical inspection and measurements of area occupied by tenants

8.2.2. Detailed discussions with the Projects, Finance & Engineering and Maintenance teams

8.2.3. Verification of space occupied by outlets

8.2.4. Understanding and experience of the independent technical consultant

8.3. Based on the report of the chartered engineer, a list of areas classified under commercial area and sub-categorized with location in airport premises has been provided in Annexure - C:

Ahmedabad Terminal 1 and Terminal 2 Area Statement			
Particulars	**T1**	**T2**	**Combined**
Food and beverages	857	214	1,071
Space Rentals	735	435	1,170
Services	398	369	767
Retail	493	479	972
Proposed Vacant area	116	-	116
Commercial Area (A)	**2,598**	**1,497**	**4,095**
Total Built Up Area (B)	**34,158**	**45,462**	**79,620**
- Terminal	**31,224**	**39,988**	**71,212**
- Canopy Area	**2,934**	**5,474**	**8,408**
Commercial Area % (A/B)	**7.6%**	**3.3%**	**5.1%**

8.4. Accordingly, AIAL has considered 5.1% of terminal area as non-aeronautical for MYTP submission purposes.

Operating Expense Allocation:

8.5. Based on the above allocation of fixed assets and common area into aeronautical and non-aeronautical percentages, the following allocation strategy will be adopted to segregate operating expenses into aeronautical and non-aeronautical expenses:

Expenses	Aero Opex Allocation	Basis
Manpower expenses (AIAL)	97%	Based on department wise employee count.
Manpower expenses (AAI)	100%	It is an obligated cost as per concession agreement (Clause 6.5 of CA)
Utility expenses (net of recovery)	100%	Aeronautical expense
IT expenses	97.7%	As per Initial RAB ratio*
Rates & Taxes	94.9%	As per terminal area
Security expenses	97.7%	As per Initial RAB ratio*
Corporate Allocation	97.7%	As per Initial RAB ratio*
Administrative Expenses	97.7%	As per Initial RAB ratio*
Insurance	97.7%	As per Initial RAB ratio*
R&M	94.9%	As per terminal area
Others	94.9%	As per terminal area
Runway Recarpeting	100%	Aeronautical expense

*Initial RAB ratio means ratio calculated by dividing aero assets mentioned under the Concession Agreement worth INR 271 Crores by total assets of INR 277.41 Crores received from AAI.

9. Fair Rate of Return

Equity Contribution

9.1. The entire equity requirement for the Project will be arranged through a mix of equity share capital and other equity linked instruments, in accordance with Concession Agreement.

9.2. AIAL believes that, SVPIA, Ahmedabad, being a relatively small international airport is more susceptible to various risks and external shocks than larger airports. Perceived risks are as given below:

Risks:

9.3. Construction Risk: Delays in completion of expected capital expenditure (both CWIP and Capex) may adversely impact revenues.

9.4. Traffic Risk: Volatility in traffic is expected to be higher than the pre-pandemic years. It is expected to take years for pre-pandemic trends in passenger traffic and ATM to return. This may also adversely impact revenues.

9.5. Event Risk: Unforeseen events, for instance the Covid-19 pandemic may severely impact the cash flows of SVPIA, Ahmedabad. The Covid-19 pandemic is expected to be a continuous risk as discoveries and research regarding new strains of the virus have adversely impacted various economic forecasts as also confidence levels in the market.

Cost of Equity (CoE)

9.6. AIAL is of the opinion that a foundation has to be laid through a well-defined systematic approach for defining reasonable rate of CoE and suggests that CoE should be allowed at 17.30% for AIAL for the TCP, based

on report by PWC[17] dated 30 March 2021 which recommended CoE at 17.13% - 17.29%.

9.7. The methodology used to compute the Cost of Equity of the Ahmedabad Airport is the Capital Asset Pricing Model (CAPM). The three components to be estimated in the CAPM are (a) the beta of the Ahmedabad Airport, (b) the risk-free rate and (c) the equity risk premium. The process is elaborated in the table below:

Estimated parameter	Methodology/Approach	Result
Beta	Identification of comparable airports: Various airports were identified which are listed on stock exchanges across the globe or have regulated betas. A set of airports were removed from the list because of either lack of data for the required time period or unreliable data.	-
	Determination of equity and asset beta for the selected airports: Beta is indicative of the systematic risk of the project. In order to calculate this, the analysis regresses the movement of the stock prices (of respective airports) on the movement of an index representing the market portfolio. The beta values pertaining to this regression are called the 'equity' betas. Once the equity beta is calculated, the analysis 'un-levers' the beta (i.e., purges off the effects of the capital structure) by using the Hamada equation: $\beta_U = \frac{\beta_L}{(1+(1-t)(\frac{D}{E}))}$, where t is the tax rate, D and E are debt and equity respectively. This unlevered beta is called the 'asset' beta for the respective airports.	-
	Computing the proximity scores for each airport and asset beta of Ahmedabad airport: Once the asset betas have been computed, quantifiable assessment has been undertaken for identified airports to determine the proximity/ relevance	0.80 to 0.81

[17] Refer Annexure D

	scores. All the airports have been compared with Ahmedabad airport based on the following airport characteristics: a) Regulatory Environment b) Operational Structure c) Payment Structure d) Ownership Structure Numeric values of 1 to 3 have been assigned to each factor wherein lower the score, more comparable is the airport to the Ahmedabad Airport. Furthermore, an inverse of the proximity scores are used to calculate the 'asset' beta the Ahmedabad Airport.	
	Re-lever the asset beta to obtain the equity beta: The asset beta of the Ahmedabad Airport is relevered using the Hamada equation to obtain the equity (re-levered) beta. As the re-levered beta is a function of D/E or gearing ratio, the beta value changes whenever the D/E or gearing ratio changes. A gearing ratio of 48:52 is considered. This has been derived from the gearing ratios set by the regulators at different comparable international airports.	1.35-1.38
Risk Free Rate	An average of daily yield for 10 years of the 10-year Government of India security has been considered as the risk-free rate.	7.57%
Equity Risk Premium	To avoid any bias, an average of equity risk premiums computed by a list of studies and standard market indices are taken for the analysis. The list of the same is provided as follows: ► Prof Damodaran's estimate of ERP as of January 2021 based on ratings of sovereign bonds. ► Prof Damodaran's estimate of ERP as of January 2021 based on ratings of sovereign bonds. ► Forward looking ERP of India as estimated in a study conducted in April 2019 by Grant Thornton ► ERP published by Incwert Valuation Chronicles in June 2020 ► ERP computed based on Nifty 50 ► ERP computed based on Sensex.	7.06%

9.8. After computing the parameters as mentioned in the table above, the inputs are fed into the CAPM:

$$R_e = R_f + \beta * (R_m - R_f)$$

Where,

R_e is the Cost of Equity

R_f is the risk-free rate

β is the equity beta of Ahmedabad Airport

$(R_m - R_f)$ is the equity risk premium

9.9. After incorporating the above estimated figures in the CAPM equation, the computed CoE is 17.13% - 17.29%. The following table summarizes the sensitivity of the gearing ratio:

Gearing Ratio	CoE
48:52	17.13% - 17.29%
60:40	19.57% - 19.78%
65:35	21.08% - 21.31%
70:30	23.09% - 23.36%

Cost of Debt

9.10. Debt requirement of the Project is proposed to be arranged mainly through debts provided by the banks or by the shareholders. The tenure of a loan is expected to be over 15 years with a bullet repayment at the end of the tenure. The debt is expected to carry an interest of 12% p.a.

FRoR

9.11. The following table summarizes the FRoR at AIAL for TCP. AIAL has calculated FRoR/WACC on the basis of a debt-equity ratio of 48%:52% which is consistent with debt-equity ratio considered as a base case scenario in the computation of Cost of Equity by an independent consultant.

Particulars	FY22	FY23	FY24	FY25	FY26
Cost of Debt	12.0%	12.0%	12.0%	12.0%	12.0%

Cost of Equity	17.30%	17.30%	17.30%	17.30%	17.30%
D/E Ratio	48%:52%	48%:52%	48%:52%	48%:52%	48%:52%
FRoR	14.76%	14.76%	14.76%	14.76%	14.76%

10. Regulatory Base for the Airport Related Assets for the Control Period

10.1. After considering the financing allowance and necessary fixed asset allocation methodology, following is the summary of the RAB for the airport related assets:-

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26
Opening RAB	301.76	383.79	1,886.87	3,095.08	4,118.29
Closing RAB	383.79	1,886.87	3,095.08	4,118.29	9,194.75
Average RAB	**342.78**	**1,135.33**	**2,490.98**	**3,606.69**	**6,656.52**

11. Fuel

11.1. With respect to AIAL's obligations towards providing aircraft fuelling services, the Concession Agreement[18] states that:

"The Concessionaire shall provide, or cause to be provided, the infrastructure required for operation of fuelling services on equal access basis for all the aircrafts at the Airport in a transparent and non-discriminatory manner. Such infrastructure shall include tank farms and associated facilities in accordance with the provisions of this Agreement, Applicable Laws and Good Industry Practice."

11.2. Previously, when the airport was operated by AAI various OMCs were providing fuelling services at the airport using their own respective infrastructure.

11.3. As mandated by the CA, AIAL will be required to build an open access facility. Further AIAL plans to provide Into-Plane Services (ITP) at SVPIA, Ahmedabad. Operations are likely to start by June 2022.

11.4. In order to start Open Access, AIAL needs to create Fuel Farm/Tank Farm and also needs to have a fleet of bowsers for carrying out refuelling. In order to make proper utilization of existing assets and optimizing them, the plan is to acquire the existing assets of OMCs and start Open Access. The discussions for same have already started with IOCL, RIL and BPCL. The cost of purchase of the existing static facilities is expected to be around INR 13 Crores. The existing IOCL, RIL and BPCL fuel facility located within the Airport has a storage capacity of approx. 2,800 KL.

11.5. Based on traffic and demand requirement, these current facilities are small and not sufficient to accommodate future growth at Ahmedabad Airport. Therefore, AIAL will also start working on the construction of Green-field facility (having a capacity of 8,000 KL) at Ahmedabad airport

[18] Clause 19.3. of the Concession Agreement

which is expected to be operational by FY24. A new Hydrant Refuelling System having total length of approx. 6 KM will also be laid and commissioned by FY26, and in four phases with the development of Apron master plan. Cost of new facility is expected to be around INR 149 Crores (contingencies, preliminaries, pre-operatives and insurance, PMC and design, interest during construction etc. will be extra), during the third control period.

11.6. The day-to-day operations and management of the Fuel Farm will be outsourced to an independent agency for certain fee (O&M fees). It is expected that O&M Fees will be a combination of minimum amount of guarantee and variable fees based on volume of fuel processed from the fuel farm facility. The O&M Fee is expected to increase by inflation rate of 5.2% per annum.

11.7. Apart from O&M fees, the Airport Operator will have certain cost for rentals for refuelers for interim period.

11.8. Following is the summary of fuel farm operation and maintenance costs as per AIAL for the TCP:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
O&M Expenses	-	12.87	15.93	18.13	20.47	**67.41**
Bowser Rental	-	2.33	-	-	-	**2.33**
Total	**-**	**15.20**	**15.93**	**18.13**	**20.47**	**69.74**

11.9. The Fuel throughput forecast has been ascertained using ATM traffic forecast by CAPA. Following are the expected fuel throughput volumes (y-o-y):

Particulars (in KL)	FY22	FY23	FY24	FY25	FY26	Total
Total	-	173,800	258,000	303,700	348,300	**1,083,800**

12. Cargo

12.1. AIAL, as airport operator of Sardar Vallabhbhai Patel International Airport is providing domestic cargo handling services from the existing common user cargo terminal and will commence international cargo handling operations from its interim international cargo terminal (old T3).

12.2. AERA vide order no. 52/2020-21 dated 06th Nov 2020 approved the levy of domestic cargo handling charges approved by the Authority for Cargo Service Center India Pvt. Ltd. (CSC) vide order no. 27/2018-19. Existing tariffs were further extended by the Authority vide order no. 65/2020-21 dated 24th March, 2021 till 30th Sep 2021 and vide Order No. 17/2021-22 dated 15th September 2021 till 31st March 2022. In addition, AERA vide order no. 01/2021-22 dated 23rd June, 2021 approved the ad-hoc charges for International Cargo Handling Services from 1.07.2021 till 31.03.2022, or, tariff determination whichever is earlier.

12.3. Current domestic facility is small in size (approx. 1,300 sqm with annual handling capacity of 13,000 tons) which is not sufficient to meet the future demand of air cargo in the Ahmedabad and catchment markets. Also, it is coming within the footprint of future expansion of passenger terminal. Therefore, AIAL plans to develop and operate a new Integrated Cargo Terminal at Ahmedabad airport. As part of SVPIA development, construction of Integrated Cargo Terminal (ICT) Project of AIAL is planned to commence in early 2022 and shall be completed by mid-2023. AIAL Integrated Cargo Terminal (ICT) is planned to have both International (Import and Export) and Domestic (Inbound and Outbound) under a single roof, along with a CRDC i.e., Central Receiving and Distribution Centre for central monitoring and clearance of goods for both international and domestic cargo, a dedicated cargo apron accommodating 5 Code D or 3 Code E freighters, truck parking facility, circulation space on the landside and the airside, ULD storage and utility provisions, cargo offices, gate complex, etc. The ICT shall have Pre-Engineered Buildings for international & domestic cargo processing & storage, with required

Mechanical Handling System (MHS). The ICT will be supported by Automated Storage & Retrieval System which will have real time and seamless interfaces with pro-active SLA Management and will also have seamless interface with customs, etc. The facility will be well equipped with the required firefighting equipment and systems that will be fully integrated with the airport systems. ICT will have approx. 26,206 sq. mtr. of office and warehouse space dedicated for cargo operations. Planned ICT will have annual cargo handling capacity of approx. 276,000 tons per annum. The facility will further be scaled up based on future demand of cargo. Cost of new facility is expected to be around INR 343 Crores (enabling costs, pre-operatives, contingencies, preliminaries and insurance, PMC and design, interest during construction etc. will be extra).

12.4. The day-to-day operations and management of the Cargo Facility will be outsourced to an independent agency for certain fee (O&M fees). It is expected that O&M Fees will be a variable fees based on volume of cargo tonnage processed from the cargo facility. The O&M Fee is expected to increase by inflation of 5.2% per annum.

12.5. In addition to O&M fees, AIAL will have certain cost of its own employees and custom cost recovery.

12.6. AIAL's cargo operating expenses are projected to be as follows:

Operating expense (INR Crores)	FY22	FY23	FY24	FY25	FY26	**Total**
Insourced salary	1.50	4.35	5.97	7.77	9.68	**29.27**
O&M Expenses	3.78	20.04	25.13	29.85	33.96	**112.76**
Customs Cost Recovery	0.22	0.93	0.97	1.02	1.08	**4.22**
Total	**5.50**	**25.31**	**32.07**	**38.64**	**44.72**	**146.25**

12.7. Following table summarises the cargo volumes to be handled by AIAL itself out of total market during TCP:-

Volume (MT)	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**Total**
Domestic cargo	26,196	39,560	47,156	53,243	57,589	**223,743**
International cargo	2,911	11,721	13,972	15,776	17,063	**61,443**
Express cargo	-	-	21,978	26,198	29,579	**77,755**
Total cargo	**29,107**	**51,281**	**83,105**	**95,216**	**104,232**	**362,941**

13. Ground Handling

13.1. Ground handling (GH) activity has been outsourced by AIAL as per the Ground Handling Regulations. There are currently two service providers for Ground Handling services at the airport, namely; GSEC Bird Airport Services Limited (BWFS lead member of consortium) and Air India Airport Services Limited (AIASL). These providers make two payments:

1. Land Rentals; and
2. Revenue Share expressed as a percentage of GH revenue

13.2. Revenue Share payable is based on concession contract with Ground Handling service providers and are fixed until the end of concession term. The revenues from Ground Handling services to AIAL are in the table as follows:

Revenue (INR crores)	FY22	FY23	FY24	FY25	FY26	**Total**
Ground Handling Revenues	11.24	19.77	25.08	29.91	34.70	**120.71**

13.2.1. Amounts paid by ground handling service providers have been considered as Aeronautical revenues for tariff determination.

14. Operation & Maintenance

14.1. **Introduction**

14.1.1. AIAL is committed to abide by the provisions of the Concession Agreement in totality and ensure a smooth transition and transformation of SVPIA, Ahmedabad from AAI to AIAL.

14.1.2. With respect to the O&M obligations of AIAL, the Concession Agreement[19] states that:

"...the Concessionaire shall operate and maintain the Airport in accordance with this Agreement, Applicable Laws and Applicable Permits, either by itself, or through O&M Contractors and if required, modify, repair or otherwise make improvements to the Airport to comply with the provisions of this Agreement, Applicable Laws and Applicable Permits, and conform to Specifications and Standards and Good Industry Practice. The obligations of the Concessionaire hereunder shall include but not limited to:

(a) ensuring to provide the Aeronautical Services, Non-Aeronautical Services and such other services, as are required as per the terms of this Agreement and Good Industry Practice;

(b) permitting safe, smooth and uninterrupted movement of Users and flow of traffic on the Airport, including prevention of loss or damage thereto, during normal operating conditions;

(c) collecting and appropriating the Fee;

(d) minimising disruption to the operation of the Airport, including airside, Terminal Building and land side, in the event of accidents or other incidents affecting the safety and use of the Airport by providing a rapid and effective response and maintaining liaison with emergency services of the State;

(e) carrying out periodic preventive maintenance of the Airport;

[19] Clause 18.1. of the Concession Agreement

(f) ensuring that the Aeronautical Assets, including Runway, taxiways, aprons and approach areas are maintained and operated in accordance with the provisions contained in Applicable Laws, Applicable Permits and relevant ICAO Documents and Annexes;

(g) ensuring that Runway, including the strips, shoulders, stop way and runway end safety area for Runway and strips and shoulders for taxiways and isolation bays are maintained in accordance with the provisions contained in Applicable Laws, Applicable Permits and relevant ICAO Documents and Annexes;

(h) ensuring that the obstacle limitation surfaces of the Airport and the approach and take-off areas are free from obstructions or that the obstructions shall be limited to the permissible limits specified in Applicable Laws, Applicable Permits and relevant ICAO Documents and Annexes;

(i) undertaking routine maintenance including prompt repairs of cracks, joints, drainage systems, embankments, structures, buildings, pavement markings, signaling systems, communication systems, lighting, signage and other equipment;

(j) undertaking major maintenance such as repairs to structures, repairs and refurbishment of equipment, signaling and communication system and major overhaul of equipment;

(k) ensuring that the sensitive and critical areas, as identified by the Authority or the Designated GOI Agency, as the case may be, for the operation of CNS/ATM Equipment and facilities shall be maintained free of any obstructions and that no obstruction which may hamper the safety or functioning of these equipment and facilities or endanger the safety of aircraft operations shall be permitted;

(l) ensuring that appropriate arrangements and precautions have been undertaken at the Airport to prevent bird and animal nuisance in and around the Airport, in accordance with the Applicable Laws and Good Industry Practices;

(m) maintaining the Airfield Lighting System and the main and standby power supply systems in accordance with the standards prescribed in Applicable Laws and relevant ICAO Documents and Annexes, and DGCA

Civil Aviation Requirements, as may be issued or updated from time to time, and relevant codes and standards;

(n) preventing, with the assistance of the concerned law enforcement agencies, any encroachments on, unauthorised entry to or unauthorised use of the Airport;

(o) protection and conservation of the environment and provision of equipment and materials therefor;

(p) operation and maintenance of all communication, control and administrative systems necessary for the efficient operation and management of the Aeronautical Services and Non-Aeronautical Services;

(q) maintaining a public relations unit to interface with and attend to suggestions from the Users, Government Instrumentalities, media and other agencies in accordance with the Applicable Laws, for providing the requisite information;

(r) complying with Safety Requirements in accordance with Article 18;

(s) operation and maintenance of all Project Assets diligently and efficiently and in accordance with Good Industry Practice;

(t) maintaining punctuality and reliability in operating the Airport;

(u) maintaining a high standard of cleanliness and hygiene on the Airport including disposal of all kinds of waste at an appropriate location;

(v) taking all measures relating to fire precautions in accordance with relevant ICAO standards or appropriate international guidelines, Applicable Laws, Applicable Permits and Good Industry Practice;

(w) providing all the requisite information, data, operating statistics, etc., as may be required by the Authority, any of the Government Instrumentality, DGCA, State Government or GOI, from time to time."

14.1.3. Additionally, with respect to AIAL's obligations towards *IATA Level of Service Optimum*, the Concession Agreement[20] states that:

"Commencing from the date which is 1 (one) year from the COD, the Concessionaire agrees and undertakes to achieve IATA Level of Service

[20] Clause 19.6.9. of Concession Agreement

Optimum at the Airport. In the event it is observed that the level of service is inferior to IATA Level of Service Optimum during Peak Hours in any quarter and the Concessionaire does not cure the same within 90 (ninety) days from the occurrence of such degradation of level of service in any Concession Year, the Concessionaire shall pay Damages to the Authority which shall be determined at the rate of 0.5% (zero point five percent) of the total revenue from Fees for the immediate preceding quarter."

Where,

"IATA Level of Service Optimum" means the minimum service requirements at various airport subsystems as set out in the 'Optimum' category in the 10th edition of IATA's Airport Development Reference Manual, as may be amended, modified or supplemented from time to time, and shall, for the avoidance of doubt, mean any similar level of service framework in the event of IATA discontinuing publication of the Airport Development Reference Manual;"

14.1.4. In addition to the abovementioned clause, the Concession Agreement further elaborates on the service level monitoring obligations of AIAL. The Concession Agreement[21] states that:

"The Concessionaire shall:

(a) throughout the Concession Period, regularly monitor traffic flows at the Airport and regularly examine levels of service at the Airport;

(b) after achieving the COD, regularly monitor and count Peak Hour passengers enplaning to and deplaning from aircraft at the Airport;

(c) by the 7th (seventh) day after the end of each quarter, provide to the Authority, a detailed report: (i) confirming that the levels of service at the Airport over the preceding quarter (or part thereof) never fell below IATA Level of Service Optimum or describing the dates on or periods of time during which the levels of service at the Airport fell below IATA Level of Service Optimum, and (ii) setting forth its analysis (along with any and all supporting data) of the level of service anticipated at the Airport over the

[21] Clause 21.3. of the Concession Agreement

reporting quarter, including any period of time when the level of service at the Airport is projected to fall below IATA Level of Service Optimum; and

(d) promptly advise the Authority in writing, if it otherwise determines that the level of service at the Airport is projected to fall or has fallen below IATA Level of Service Optimum at any time and provide to the Authority any and all data related to such determination along with the mitigation plan for such deficiency."

14.1.5. The abovementioned clauses of the CA illustrate AIAL's obligations towards maintaining superior service standards. In addition to these obligations, expected increase in capacity due to T1 and T2 refurbishment, commencement of New Integrated Terminal Building, and development of additional facilities on Airside/Landside/Utilities etc, warrants an increase in AIAL's O&M expenses. **O&M expense estimates take into consideration the obligations of AIAL as per the Concession Agreement as well as the planned expansion.**

14.1.6. In this MYTP, AIAL has adopted following aspects and principles to determine efficient aeronautical operating and maintenance cost:

14.1.6.1. Upcoming expansion at Ahmedabad Airport: As explained in Chapter 7, Ahmedabad Airport will be undertaking refurbishment of T1 and T2 and is expected to get complete by mid of FY2022-23. Year wise increase in operational terminal area is tabled below. Accordingly, there will be correspondingly increase in costs of various services like manpower, IT, Security, Utility, Housekeeping, Others etc.

Area in Sq Mtrs					
	T1#	T2##	NITB	**Total**	**YoY % Increase in Area**
FY21-22	34,158	45,462	-	**79,620**	**-**
FY22-23	40,934	54,474	Under Construction	**95,408**	**~20%**
FY23-24	40,934	54,474		**95,408**	**-**
FY24-25	40,934	54,474		**95,408**	**-**
FY25-26*	-	54,474	2,14,000	**2,68,474**	**~181%**

 # including canopy area of 2,934 sqm *## including canopy area of 5,474 sqm*

**T1 will be available till the time NITB is not commissioned. Once NITB is commissioned all traffic from T1 will be moved to NITB.*

14.1.6.2. Inflationary Increase: AIAL has considered inflationary increase of 5.2% towards all expenses which is considered basis the projections provided in Chapter 15 below.

14.1.6.3. Real Increase: Considering the current economic scenario, recent transition from old Airport operator to new Airport operator under PPP mode, evolving regulatory requirements, concession agreement obligations and upcoming expansion, AIAL has considered certain real increase in the expenses.

14.1.6.4. Base Year: FY22 considered as the base year and applied relevant growth percentages over it.

14.1.6.5. Airports have high fixed costs associated with the provision and maintenance of infrastructure and services such as safety and security. These are incurred regardless of traffic levels. Airport operators, therefore, have limited scope to curtail costs when facing a downturn in demand.

14.2. Employees Cost

14.2.1. Manpower is a crucial resource of service-oriented industries such as airports. AIAL considers manpower as its biggest asset. Total employee costs covered under this section include salaries, wages and bonuses, contribution to PF, gratuity expenses, and staff welfare and training costs.

AAI Employees

14.2.2. With respect to AIAL's obligations towards AAI employees, the Concession Agreement states the following[22]:

[22] Clause 6.5.2. of Concession Agreement

"With the exception of the Select Employees, the Concessionaire shall have no obligations in relation to the existing employees of the Authority serving in connection with the Airport."

Where,

""Select Employees" shall mean those employees of the Authority as set forth in Schedule S[23] (of the rank of assistant general manager and below) who are posted at the Airport by the Authority and shall be deployed at the Airport for the duration of the Joint Management Period and Deemed Deputation Period."

14.2.3. With respect to the obligations of AIAL towards Select Employee Costs, the Concession Agreement[24] states that:

"The Concessionaire shall bear the Select Employee Costs for the Joint Management Period and Deemed Deputation Period.

... the Concessionaire shall pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority to the Select Employees."

Where,

""Joint Management Period" shall mean the period commencing from the COD and ending on the date which is 1 (one) calendar year after the COD."

And,

""Deemed Deputation Period" shall mean the period commencing from the expiry of the Joint Management Period and ending on the date which is 2 (two) calendar years therefrom."

[23] Annexure - A
[24] Clauses 6.5.4. and 6.5.5.

14.2.4. With respect to AIAL's association with AAI's senior personnel, the Concession Agreement[25] states that:

"The senior management staff of the Authority of the rank of deputy general manager and above ("Senior Personnel") shall remain deputed at the Airport for a period not exceeding 3 (three) months from the COD.

(i) On the expiry of such 3 (three) month period, the Senior Personnel shall be transferred out of the Airport and redeployed by the Authority.

(ii) It is clarified that the Concessionaire shall not be liable to bear any costs in respect of the Senior Personnel, which costs shall be borne entirely by the Authority."

14.2.5. There are 180 Select Employees[26] (as on date 177[27] employees) from AAI at SVPIA (level of AGM and below) whose employee costs are to be incurred by AIAL as stated in the abovementioned clauses of the Concession Agreement. In addition to this, a growth assumption of annual escalation of salaries was taken at 15.2% (real growth 10% plus inflation 5.2%).

14.2.6. With respect to AIAL's retention obligations of during the Joint Management Period, the Concession Agreement[28] states that:

"At any time during the Joint Management Period, but no later than 90 (ninety) days from the COD, the Concessionaire shall make offers of employment ("Employment Offers") to a minimum of 60% (sixty percent) of the Select Employees.

(i) It is clarified that, in the event of reduction in the number of Select Employees in the manner set forth in Clause 6.5.1, the minimum number of Select Employees to whom Employment Offers are required to be made shall stand correspondingly reduced, with any fractions thereof rounded off to the nearest whole number.

[25] Clause 6.5.3. of the Concession Agreement
[26] Schedule – S of Concession Agreement (Annexure – A)
[27] Refer Annexure - E
[28] Clause 6.5.6. of the Concession Agreement

(ii) The terms and conditions of the Employment Offers shall, in terms of salary, position, etc., be the same as the current employment terms of the Select Employees on an annual cost-to-company basis."

14.2.7. As per the abovementioned clauses of the Concession Agreement, AIAL is required to provide offer of employment to at least 60% of Select Employees of AAI. However, it has to bear the cost of 100% of Select Employees of AAI for a period of 3 years. This cost will reduce to 60% of the employees after 3 years of COD in line with provisions of the Concession Agreement.

14.2.8. Moreover, in such a case where less than 60% of the Select Employees accept offers from AIAL, the Concession Agreement[29] states that:

"If, at the expiry of the Deemed Deputation Period, the number of Accepting Employees is less than 60% (sixty) percent of the Select Employees (the "Deficit Employees"), the Concessionaire shall, commencing from the expiry of the Deemed Deputation Period, pay to the Authority, on a monthly basis, such amounts as may be indicated in an invoice to be raised by the Authority on the Concessionaire with regard to the emoluments payable by the Authority in respect of such Deficit Employees (the "Deficit Employee Costs").

(i) The Select Employees in respect of which the Deficit Employee Costs are payable shall be mutually identified by the Parties no later than 3 (three) months prior to the expiry of the Deemed Deputation Period."

(ii) The Deficit Employee Costs shall be considered for pass-through in the determination of the Aeronautical Charges.

(iii) The provisions of sub-clauses 6.5.5 (i), 6.5.5 (ii), 6.5.5 (iii), and 6.5.5(iv) shall, mutatis mutandis, apply to payment of the Deficit Employee Costs.

[29] Clause 6.5.10. of the Concession Agreement

(iv) The Deficit Employee Costs shall be payable until retirement or other separation from Authority's services of the Deficit Employees, whichever is earlier."

14.2.9. As mentioned in the above clauses of the Concession Agreement, AIAL is obligated to bear the Deficit Employee Cost as well. As stipulated above, Deficit Employee Cost shall be considered for pass-through in the determination of the aeronautical charges.

14.2.10. On 28th January 2021, AIAL made the offer to all AAI employees with substantial increase in their remuneration packages. The offer was valid till 30th Mar 2021. It is noted that none of the AAI employees have accepted the offer till the validity of the offer date.

14.2.11. Airports are national assets and need to be operated with utmost care and security. It is also a known fact that aviation industry in India is short of skilled manpower (which is also critically mentioned in the Vision 2040 for the Civil Aviation in India[30]). AIAL is impacted from both the sides i.e. AAI employees want to continue with AAI and there is shortage of skilled manpower in the market. Further due to ongoing pandemic COVID-19, the risk factor of the Aviation sector has substantially increased, as a result people from other industries are hesitant about joining the Aviation industry at the moment.

AIAL is ramping up its own manpower through all means, irrespective of the adverse circumstances, so that necessary on-the-job-training, know-how transfer and skill enhancement is done before the Joint Management Period and the Deemed Deputation Period (total 3 years from COD) get completed.

[30] https://dag.um.dk/~/media/danishaviationgroup/market%20information/vision-2040-for-the-civil-aviation-industry-in-india.pdf?la=en

AIAL Employees

14.2.12. In addition to absorbing AAI's Select Employees, AIAL will also employ its own employees for the airport operations at SVPIA, Ahmedabad. AIAL workforce planning is based keeping in mind the following:

(i) AIAL is committed to maintain the highest service standards and ensure highest level of user experience;

(ii) There are various obligations, responsibilities, service standards and duties (like Airside operations) mandated under Concession Agreement which were not performed by AAI themselves (or performed through other support functions like ANS).

(iii) There is a need to hire, train, and maintain a greater number of employees. As explained above, there is uncertainty over the actual number of Select Employees who will be joining AIAL.

(iv) Senior Personnel of AAI deputed at SVPIA has left after 3 months from the COD as per the Concession Agreement; therefore, there is a need for AIAL to replace and also train the replacements;

(v) There are certain functions which are decided by AIAL to perform in-house like Inland Baggage Screeners which was previously outsourced by AAI.

(vi) Approx. 20% increase in terminal area (from 79,620 sq. mtr. to 95,408 sq. mtr.) and over 124% increase in capacity (from 7.5 mppa to 16.8 mppa) in FY23 is likely to warrant an increase in the expenses that AIAL shall incur on its employees; Further with the commissioning of NITB the capacity will be enhanced from 16.8 mppa to 28.8 mppa.

(vii) There are new facilities on Airside / Landside / Utilities etc which are planned during the control period.

(viii) High attrition rates in the aviation sector with a recent increase in privatisation of airports;

(ix) With suitable talent in the aviation sector being scarce, AIAL's expenses at seeking, hiring, and retaining suitable employees is estimated to increase;

14.2.13. AIAL employee costs are assumed to increase by 5.2% on account of inflation and by 10% on account of real increase.

14.2.14. Based on the above assumptions, AIAL proposes the following projections for employee costs:

Particulars	FY22	FY23	FY24	FY25	FY26	**Total**
AAI Employees (Nos.)	177	177	177 for ~7 months	-	-	
AAI Employees cost (INR Crores)	40.89	47.10	45.94	38.14	43.94	**216.01**
AIAL Employees (Nos.)	170	300	400	400	450	
AIAL Employees (INR Crores)	33.50	38.80	60.83	70.07	90.20	**293.40**
Total Employee cost (INR Crores)	**74.39**	**85.90**	**106.76**	**108.21**	**134.14**	**509.40**

14.3. **Electricity, Fuel Water**

14.3.1. Electricity and water costs are calculated at net level, i.e. gross expenses less recovery from the airlines and concessionaires.

14.3.2. AIAL expects a total of 19.5 mn units of electricity to be consumed in 2021-22. With the electricity regulator average rate at Ahmedabad being INR 10.1 per unit, AIAL's expenses on electricity (net of recoveries) for 2021-22 is estimated to be INR 19.72 Crores.

14.3.3. Utility expenses are expected to increase by 5.2% on account of inflation. In addition, AIAL has considered increase of 30% p.a. in cost due to increase in terminal area for FY23 and FY24 .i.e. in FY23 refurbishment of T1&T2 will get complete and the refurbishment will include development & construction of landside development including parking in from of T1 & T2. This will lead to increase in approximately 1.2-1.5 MVA load.

14.3.4. Based on the above assumptions, AIAL proposes the following projections for electricity and water costs (net of recoveries):

Particulars (in INR Crores)	**FY22**	**FY23**	**FY24**	**FY25**	**FY26**	**Total**
Electricity cost (net of recoveries)	19.72	26.97	36.89	38.81	40.83	**163.22**
Total (net of recoveries)	**19.72**	**26.97**	**36.89**	**38.81**	**40.83**	**163.22**

14.4. **Corporate Allocation**

14.4.1. AIAL is a step-down subsidiary of Adani Enterprises Limited (AEL). AEL holds 51% directly and 49% indirectly through AAHL. AEL and AAHL have developed the various capabilities, infrastructure and processes in various areas ("Corporate Support Services").

14.4.2. Corporate Support Services provided by AEL and AAHL include strategic guidance, business support and professional expertise in the areas of Finance, Procurement, Regulatory, Legal, Security, Operations, Master Planning, Green Initiatives, ESG and Information Technology.

14.4.3. AEL provides Corporate Support Services which are common for all businesses promoted by Adani Group (Power, Renewable, Ports, Logistics, Airports). AAHL provides Corporate Support Services which are specialised subject matter expertise in Aviation sector.

The cost is incurred by AEL and AAHL on overall basis to provide these services and support to various group companies (including Airports) by AEL and to various Airport companies in case of AAHL respectively.

14.4.4. These costs are recovered by AEL and AAHL through appropriate allocation method.

These capabilities, infrastructure and processes are very much important for sustainable operations of any business including Airports. It is worthwhile to mention that in case these services are to be maintained by AIAL on standalone basis then the cost incurred will be sub-optimal as against the proportion of cost charged as allocation by AEL and AAHL.

14.4.5. It has been a common practice across all the industries operated by big business houses including private Airport entities and AAI, whereby cost allocation process is prevalent.

14.4.6. AIAL receives these Corporate Support Services from its parents (AEL and AAHL) and is required to pay for costs allocated to it for having availed the above services on arms lengths basis.

Same being related party transaction, it was important to assess efficiency of corporate costs and the overall operating cost allocated to each airport after such allocation. Hence, independent consultant had been appointed to do benchmarking analysis of corporate costs allocated to various airports (including AIAL) within Group.

14.4.6.1. Key findings of the report is as follows:

14.4.6.1.1. Corporate cost allocation to group companies by Parent/Holding company is being followed by many companies across sectors.

14.4.6.1.2. Corporate cost allocation has various benefits like: -

a. Leveraging on best practices
b. Centralized monitoring and control
c. Efficiencies and economies of scale

14.4.6.1.3. The similar Corporate cost allocation practice is used by aviation companies For e.g., GMR Infrastructure Limited (GIL) and GMR airports Limited (GAL) provides services to DIAL and GHIAL and their costs are allocated based on suitable drivers. Similar practice is followed by AAI as well in allocating its Central Head Quarters (CHQ) / Regional Head Quarters (RHQ) costs to various airports.

14.4.6.1.4. There are certain cost which are incurred by AEL and AAHL and are not allocated to various Companies.

14.4.6.1.5. The allocable costs are charged based on suitable allocation key.

14.4.7. **Expenses incurred by AEL up to the date of LoA (July 2019) for Ahmedabad, Lucknow, and Mangaluru Airports** are divided equally among Adani's six Airport SPVs (i.e. for Ahmedabad, Lucknow, Mangaluru, Jaipur, Guwahati, and Trivandrum Airports) as these costs are incurred for all SPVs. Such costs include expenses pertaining to bidding, review of past tariff filing, RfP submission, bid advisory services,

financial advisory services etc. The following table summarizes the allocation of expenses incurred by AEL across Adani's six SPVs:

Particulars (in INR Crores)	Total	Ahmedabad
Before LOA	**10.35**	**1.72**

14.4.8. **The common cost incurred by AEL and AAHL after the date of LoA till COD** is to be allocated based on the asset ratio (Initial RAB + CWIP) of three Airport SPVs (i.e. Ahmedabad, Lucknow and Mangaluru). The following table summarizes the cost allocation of AEL's and AAHL`s expenses from LoA to COD:

Particulars (INR Crores)	Total	Ahmedabad
Initial Regulatory Asset Base (RAB) – AERO	485	271.00
Initial Regulatory Asset Base (RAB) - Non – AERO	14.8	6.41
CWIP	685	36.62
Total of RAB + CWIP	1184.8	314.03
Total Amount Allocated	**63.96**	**18.64**

14.4.9. The cost allocation arrived in point 14.4.7 and 14.4.8 above are capitalised as Intangible Assets in the books of accounts as per necessary accounting standards. Refer the financial statements as on 31st March 2021.

14.4.10. **Allocation of cost after COD**: Cost of resources from AEL and AAHL is allocated to various airport entities including AIAL, based on scientific and rational methodology of allocating its costs based on various costs drivers which ensure fair allocation to all airports (as explained from point 14.4.1 to 14.4.6).

14.4.11. The same is escalated by inflation of 5.2%, and increase of 50% in FY23 based on estimate and 10% thereafter. The Corporate Support group has evolved in the last few months, and it is further evolving to strength the operation at the Airports. Various corporate personnel have joined at different point of time, to provide the rationalised annualized impact of the costs relevant increase is considered in FY23.

14.4.12. Based on the above assumptions, AIAL proposes the following projections for corporate allocation as an operating expenditure:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	**Total**
Corporate allocation	12.00	18.62	21.45	24.72	28.47	**105.27**

14.5. **Repairs & Maintenance expenses**

14.5.1. AIAL aims at maintaining best-in-class service quality levels through the best upkeep and maintenance of the buildings, equipment and other infrastructure to ensure hassle-free, safe and smooth operations. Repairs and Maintenance includes civil, electrical and mechanical works for the maintenance of the airport including the terminal, runways, taxiways, parking bays, aprons, aerobridges, power substations, IT and other plants and machinery.

On Existing Assets

14.5.2. In relation to AIAL's obligations with respect to existing contracts with AAI, the Concession Agreement[31] states that:

"The Authority shall, during the Inception Period, perform and comply with all its obligations under the Existing Contracts, and shall, at its own cost and expense, procure novation of such contracts and agreements in favour of the Concessionaire, to take effect from the COD and remain in force for the remaining term thereunder. The Parties agree to execute the documents necessary for novation of the Existing Contracts ("Novated Contracts") as contemplated under this Clause 6.4.1. The Concessionaire shall bear and pay all stamp duties payable in connection therewith.

In the event the Authority is unable to procure novation of any Existing Contract in accordance with the foregoing ("Non-Novated Contracts"), it shall execute a power of attorney, effective on and from the COD,

[31] Clause 6.4. from the Concession Agreement

designating the Concessionaire (acting through its authorised representative) as its attorney and agent with powers to act on its behalf for all intents and purposes to the extent of the scope of the Non-Novated Contracts, including the power to appropriate all benefits which may accrue to the Authority from time to time under any such Non-Novated Contract, and terminate such Non-Novated Contracts in accordance with their terms. The Concessionaire shall bear and pay all stamp duties payable in connection with such power(s) of attorney.

On and from the COD, the Concessionaire shall, at its own risk and cost, perform and comply with (i) all its obligations under the Novated Contracts; and (ii) all obligations of the Authority under the Non-Novated Contracts, as if the Concessionaire were an original party to such contracts. The Concessionaire agrees and undertakes to indemnify, defend, save and hold harmless the Government Indemnified Persons against any and all suits, proceedings, actions, demands and claims for any loss, damage, cost and expense of whatever kind and nature under or in connection with any Novated Contract or the Non-Novated Contract arising after the COD save and except any loss, damage, cost and expense arising after the COD but relating to any act or omission of the Authority prior to the COD. It is clarified that, unless they are terminated earlier in accordance with the terms of such agreements, the Novated Contracts and Non-Notated Contracts shall subsist until their expiry. Pursuant to such expiry or termination, the Concessionaire may, at its own discretion, enter into any contract with respect to the subject matter of the relevant Novated Contract and/ or Non-Notated Contract, with any third party, on such terms and conditions as it may deem fit."

14.5.3. With respect to Repairs and Maintenance, AIAL has got over 100 contracts passed over from AAI. These contracts are of varied nature, including but not limited to: -

a. Electrical
b. Civil
c. HVAC
d. PBB
e. BHS
f. Airside

g. PA System
h. STP
i. Water Management
j. Waste Management
k. UPS
l. Lift
m. Escalator

14.5.4. While taking over the Airport, AIAL did the facility health assessment and ascertained various deficiencies.

14.5.5. During the first year of operations AIAL felt a need to improve the service level of the vendors and to address the identified deficiencies, AIAL has done the consolidation of the contracts and awarded fresh contracts through a transparent bidding process.

14.5.6. The estimated expenses that will be incurred by AIAL on the repairs and maintenance works of existing assets (transferred from AAI to AIAL) at SVPIA, are expected to increase by inflation 5.2% and real increase of 10%.

On New Assets

14.5.7. Repairs and maintenance expenses that are to be incurred by AIAL for new assets have been calculated as 1% of the opening gross block of new assets of the respective years.

Total R&M Expenditure

14.5.8. Based on the above assumptions, AIAL proposes the following projections for repair and maintenance:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	**Total**
R&M (Initial assets)	40.00	46.08	53.08	61.15	70.45	**270.77**
R&M (New Assets)	0.67	1.91	21.55	35.13	47.83	**107.08**
Total R&M cost	**40.67**	**47.99**	**74.63**	**96.28**	**118.28**	**377.85**

14.6. **Insurance**

14.6.1. With respect to AIAL's insurance obligations, the Concession Agreement states that:

*"**Insurance Obligations***

The Concessionaire shall effect and maintain at its own cost, during the Concession Period, such insurances for such maximum sums as may be required under the Financing Agreements and Applicable Laws, and such insurances as may be necessary or prudent in accordance with Good Industry Practice. The Concessionaire shall also effect and maintain such insurances as may be necessary for mitigating the risks that may devolve on the Authority as a consequence of any act or omission of the Concessionaire. The Concessionaire shall procure that in each insurance policy, the Authority shall be a co-assured and that the insurer shall pay the proceeds of insurance into the Escrow Account. The Parties agree that the level of insurance to be maintained by the Concessionaire after repayment of Senior Lenders' dues in full shall be determined on the same principles as applicable for determining the level of insurance prior to such repayment of Senior Lenders' dues.

Insurance Cover

Without prejudice to the provisions contained in Clause 30.1, the Concessionaire shall, during the Concession Period, procure and maintain Insurance Cover including but not limited to the following:

(a) loss, damage or destruction of the Project Assets, including assets handed over by the Authority to the Concessionaire, at replacement value;

(b) comprehensive third party liability insurance, including injury to or death of personnel of the Authority or others who may enter the Airport;

(c) the Concessionaire's general liability arising out of the Concession;

(d) liability to third parties for goods or property damage;

(e) workmen's compensation insurance; and

(f) any other insurance that may be necessary to protect the Concessionaire and its employees, including all Force Majeure Events and not otherwise covered in items (a) to (e) above."

Being an airport operator, AIAL is expected to take various insurances for property damage, business interruption, third party liabilities, and terrorism. AIAL has already incurred insurance expenses of INR 2.40 Crores p.a. for 2021-22 for the initial asset base. Insurance expenses expected to increase by inflation 5.2% and real increase of 10%.

The insurance expenses for new assets have been calculated as 0.1% of the new additions to the gross block based on market rates.

14.6.2. Based on the above assumptions, AIAL proposes the following projections for insurance:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Existing Assets	2.40	2.76	3.19	3.67	4.23	**16.25**
New Assets	0.19	2.06	3.35	4.56	9.89	**20.05**
Total Insurance cost	**2.59**	**4.82**	**6.54**	**8.23**	**14.12**	**36.29**

14.7. **Rates and taxes**

14.7.1. Rates and taxes costs contain several costs such as property tax, water tax and sewage tax to local authorities.

14.7.2. AIAL is expected to pay INR 4.00 Crores as property taxes and other statutory obligations in FY22 and is estimated to increase by inflation of 5.2% and one time increase of 20% in FY24 due to refurbishment of existing T1 and T2.

14.7.3. Based on the above assumptions, AIAL proposes the following projections for rates and taxes:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Rates and taxes	4.00	4.21	5.26	5.53	5.82	**24.83**

14.8. **Security Expenses**

14.8.1. Security related operating expenses are dynamic in nature and the requirement of the same varies with perceived security threat and mandates from various agencies. AIAL expects to incur significant security expenses with the expansion of the terminal building area. AIAL's security expenses includes Manpower, security guards, security operation maintenance, surveillance vehicles, access controls and expenses related to other automation systems. Total cost is estimated to be INR 6.00 Crores in FY22 which is expected to increase by inflation rate of 5.2% and increase of 50% in FY23 based on estimate and increase of 10% thereafter. In addition, AIAL has considered increase in cost by 20% in FY24 due to increase in terminal area by over 20%.

BCAS vide AVSEC Circular – 03/2021 dated 11/05/2021 (Annexure - M) has issued Guidelines for deployment of Private Security Agency (PSA) for non-core aviation security function at the Airports. AIAL expects PSA to be deployed (i) to ensure prevention of acts of unlawful interference, sabotage, criminal acts and to provide protection and safeguarding of passengers, crew, ground personnel and the public and (ii) to provide cost effective, reliable, professionally competent, passenger compatible aviation security through harmonious implementation of non-core security functions by the PSA. Therefore 50% increase has been considered in the FY23 to provision for that additional expenditure.

14.8.2. Unmanned Aircraft (UA) or Remotely Piloted Aircraft System (RPAS), commonly known as "Drone" is a game-changer technology in modern life. Drones are being extensively used for various applications. However, drones may also be used for destructive purposes such as delivering explosives and harmful cargo for creating havoc etc.

Drones also have the potential for disrupting manned aircraft movements especially in the proximity to the national assets like refining plant, airports etc. In September 2019 the world`s largest oil refining

plant in Buqyaq, Saudi Arabia was attacked by drones. In June 2019, Drone sightings at Changi Airport forced closure of one runway, and nearly 40 flights were cancelled. There are numerous examples of hours-long hold up of airport operations due drone sightings like Gatwick, Dubai and Indira Gandhi International Airport, New Delhi. The recent drone attack on the Jammu airbase seriously escalates the threat of terrorism on sensitive infrastructure assets like airport. Such incidents have led the security agencies, specially aviation community to consider the deployment of counter-drone systems by airport operators to protect airports and their proximities from rogue drones.

Till now, the drone detection was primarily done by not so advanced methodologies like PTZ Cameras, human watch, etc. But there are limitations in terms of accuracy, range, success, and neutralization effectiveness. With changing times, drones have also advanced technologically and in view of the above, Bureau of Civil Aviation Security (BCAS) has directed the Indian Airports to implement sophisticated, reliable, robust and highly effective Counter drone technology/solution for Surveillance, detection and Neutralization of drones/ UAVs vide AVSEC Circular no 02/2020[32] dated 11th February, 2020. Further, vide addendum dated 09th February 2021 to the said circular, BCAS has re-emphasised the importance of the matter and advised Airports to implement the Counter Drone technology / solutions for surveillance, detection and neutralization of drones within the prescribed timelines from the date of the addendum. AIAL has taken cognizance of this important security requirement and is planning to implement Multi-Layered Comprehensive Counter Drone Solutions in FY22.

AIAL proposes to implement the Counter Drone solution having the following features: -

i. Multiple detection methodology that can detect at >10km range like SIGINT, Electro-Optics and Infra-Red, Radars, etc.

[32] Refer Annexure – I

ii. 3D radar 360-degree long range detection, classification of drones and operators

iii. Accurate Direction, Location, Tracking of Drones/ operators, maintaining the drone libraries, neutralizing the SWARM of drones

iv. Jamming - Smart COMJAM Mitigation communication and GNSS

v. Quick Installation and Easy Operation Manual or Auto

vi. Fully autonomous Command and Control Centre

vii. The technology and systems are highly sensitive, delicate, need high degree of maintenance, frequent program updates and spares replacement.

AIAL is expecting to outsource the solution design, implementation, maintenance of this critical activity on long term basis to a professional and qualified company. The scope of the works includes solution design, financing, implementation, testing, training, skill transfer, documentation, routine maintenance and 24X7 helpdesk and availability. AIAL is expected to incur approx. INR 16 Crores p.a. (exclusive of taxes) as cost for the services. The cost will be subject to annual escalation based on inflation of 5.2%. AIAL is expected to start availing these services from April-2022 onwards.

14.8.3. Based on the above assumptions, AIAL proposes the following projections for security:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Security expenses	6.00	9.31	12.57	14.49	16.69	**59.06**
Counter Drone System	-	16.00	16.83	17.71	18.63	**69.17**
Total Security Cost	**6.00**	**25.31**	**29.41**	**32.19**	**35.31**	**128.23**

14.9. **IT Expenses**

14.9.1. With respect to AIAL's obligations with respect to setting up of an Airport Operation Data Base, the Concession Agreement[33] states that:

[33] Clause 21.1. of the Concession Agreement

"The Concessionaire shall set up Airport Operation Data Base ("AODB") consisting of an airport operations database, communications layer and visual system that link various systems in the Airport together. The AODB must provide all operations data at the Airport including but not limited to the data related to objective service quality requirement and parameters defining level of service of the Terminal Building and any other such information as may be required by the Authority and/ or any Designated GOI Agency pursuant to this Agreement. AODB shall generate daily, weekly, monthly, quarterly and annual reports as per the requirements of this Agreement. The AODB system should be capable to provide historical, real-time data to assist in strategic decision making as well as to help the Concessionaire for various compliance requirements. The Concessionaire shall provide AODB access to the Authority for periodic review and generation of reports."

14.9.2. To ensure world-class IT infrastructure, AIAL intends to revamp the existing IT capacity and efficiency. IT expenses incurred by AIAL include the following:

- System license costs
- IT consumables
- IO/AO support
- Digitization, travel, and group governance
- Operating cost of servers, website, and other systems
- Maintenance costs (office, cables, and DC room)
- IT resources
- AMC for airport systems
- AAI end user system support

14.9.3. For the forecasts, IT expenses are expected to increase by an inflation rate of 5.2% and real increase of 10%. In addition, AIAL has considered one time increase in cost by 20% in FY24 due to increase in terminal area by 20%.

14.9.4. Based on the above assumptions, AIAL proposes the following projections for IT expenses:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
IT expense	7.00	8.06	10.89	12.54	14.45	**52.95**

14.10. **Administrative and General Expenses**

14.10.1. Administrative costs contain expenses such as consultancy expenses, advertisement, travel and communication costs, business promotion etc. These costs are necessary for the efficient working of the Airport. The initiatives include industry outreach programs, meeting various stakeholders, participation in various domestic and international forums and catchment area programs. AIAL is transforming the Ahmedabad Airport into a smart and futuristic airport.

14.10.2. Admin and General expenses expected to increase by inflation 5.2%, and increase of 50% in FY23 based on estimate and 10% thereafter.

14.10.3. Based on the above assumptions, AIAL proposes the following projections for admin expenses:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Admin expenses	10.00	15.52	17.88	20.60	23.73	**87.72**

14.11. **Other Operating Expenses**

14.11.1. Other operating expenses include expenses such as (i) housekeeping and upkeep expenses; (ii) horticulture expenses; and (iii) hire charges. The main expenditure under housekeeping and upkeep expenses include terminal housekeeping expenses and housekeeping of airside and runway. Hire charges include expenses such as operations of Bird Scarers for WHM, outsourced manpower such as Customer Service Executive, Guest Relation Executive etc. and a trolley management O&M contract.

14.11.2. In line with growth assumptions mentioned earlier, other operating expenses are expected to increase by an inflation rate of 5.2% and increase of 30% in FY23 based on estimate and 10% thereafter. In

addition, AIAL has considered one time increase in cost by 20% in FY24 due to increase in terminal area by 20%.

14.11.3. AIAL proposes the following projections for other operating expenses:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Other operating expenses	15.00	20.28	27.38	31.55	36.34	**130.55**

14.12. **Runway Re-Carpeting**

14.12.1. Order No. 35/2017-18, explains that the useful life prescribed to runways "would depend on the design life planned at the time of construction of the pavement based on which composition, thickness of each layer and other components of the pavement would have been planned for construction." The runway at AMD, SVPIA requires recarpeting in order to ensure the minimum quality required for future use. AIAL has started the runway-recarpeting work in January 2022 and is expected to complete during FY23. The cost of runway re-carpeting is considered at INR 278 Crores (PMC and Design, Insurance, pre-operatives, preliminaries, contingencies, interest during construction etc. will be extra).

14.12.2. In terms of provisions of AERA Order no. 35/2017-18 dated 12th January, 2018 in respect of useful life of assets, the Authority has allowed the expense incurred on re-carpeting of runways, taxiways and apron as O&M expenses which are to be amortized over a period of 5 years to avoid burden on users. Authority should provide a carrying cost on the balance unamortized portion of such expense incurred by AIAL which will accrue in future whereas the expense has already been incurred. AIAL submits that carrying cost on the unamortized balance of the expense incurred on re-carpeting of runways / taxiways will enable it to obtain return of capital together with the reasonable return on investment commensurate with the risk involved. The amortization of runway recarpeting expense has been provided as : -

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Runway re-carpeting	-	116.54	106.64	96.75	86.85	**406.77**

14.13. **Financing Charges**

14.13.1. Financing charges includes debt charges and processing fees payable to lenders. Under this, AIAL is required to pay 1.5% of the debt amount plus GST to lenders.

14.13.2. AIAL has also tendered a Performance Bank Guarantee to AAI as mandated by the CA[34] as follows:

"The Concessionaire shall, for the performance of its obligations during Phase I hereunder, provide to the Authority, no later than 120 (one hundred and twenty) days from the date of this Agreement, an irrevocable and unconditional guarantee from a Bank for a sum equivalent to Rs. 130,00,00,000 (Rupees One Hundred and Thirty Crore) in the form set forth in Schedule E ("Performance Security"). Until such time the Performance Security is provided by the Concessionaire pursuant hereto and the same comes into effect, the Bid Security shall remain in force and effect, and upon such provision of the Performance Security pursuant hereto, the Authority shall release the Bid Security to the Concessionaire."

14.13.3. A fee equivalent to 1.90% of the Performance Bank Guarantee is to be paid to the lenders.

14.13.4. Additionally, a working capital loan and loan for cash short-fall has been taken at an interest rate of 12% per annum of average balance.

The following table provides a summary of the various financing charges that are incurred by AIAL:

[34] Clause 9.1.1.

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Finance charges	3.32	95.25	-	-	-	**98.58**
Performance BG	2.47	2.47	2.47	2.47	2.47	**12.35**
Working Capital interest and other interest	15.84	27.47	18.40	15.57	19.68	**96.96**
Total	**21.63**	**125.19**	**20.87**	**18.04**	**22.15**	**207.89**

14.14. **Summary of O&M Expenses**

14.14.1. After applying the allocation ratio, the summary of aeronautical operation and maintenance expenditure for the TCP is as follows:

S No.	Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	**Total**
1	Manpower expenses - AAI employees	40.89	47.10	45.94	38.14	43.94	**216.01**
2	Manpower expenses - Adani employees	32.50	37.64	59.00	67.97	87.49	**284.60**
3	Utility expenses	19.72	26.97	36.89	38.81	40.83	**163.22**
4	IT expenses	6.84	7.88	10.64	12.25	14.12	**51.72**
5	Rates & taxes	3.79	3.99	4.99	5.25	5.52	**23.55**
6	Security expenses	5.86	24.73	28.73	31.45	34.50	**125.26**
7	Corporate Allocation	11.72	18.19	20.96	24.14	27.81	**102.84**
8	Administrative Expenses	9.77	15.16	17.47	20.12	23.18	**85.70**
9	Insurance	2.53	4.71	6.39	8.04	13.79	**35.46**
10	R&M	38.58	45.52	70.79	91.33	112.19	**358.41**
11	Others	14.23	19.24	25.98	29.92	34.47	**123.84**
12	Runway Recarpeting	-	116.54	106.64	96.75	86.85	**406.77**
13	Financing Charges	21.35	111.33	20.44	17.61	21.71	**192.44**
14	Cargo related expenses	5.50	25.31	32.07	38.64	44.72	**146.25**
15	Fuel farm Expenses	-	15.20	15.93	18.13	20.47	**69.74**
16	**Total**	**213.28**	**519.51**	**502.85**	**538.55**	**611.60**	**2,385.78**

14.15. **Concession Fee**

14.15.1. Clause 27.3.1. of the Concession Agreement states that "the Parties hereto acknowledge and agree that the Per Passenger Fee for Domestic Passengers and Per Passenger Fee for International Passengers shall be applicable from the COD and shall be revised annually on each anniversary of the COD to take account of the variation in the CPI (IW)."

14.15.2. As per the abovementioned clause, the per passenger fee for domestic passengers in the first 15 (fifteen) concession years shall be revised in accordance with the following formula:

$$PPF\ for\ Dom.Pass._{(CY)} = PPF\ for\ Dom.Pass._{(CY-\ )} \times (1 + 85\%\ of\ Delta\ CPI\ (IW))$$

Additionally, the per passenger fee for domestic passengers in the remaining concession years shall be revised in accordance with the following formula:

$$PPF\ for\ Dom.Pass._{(CY)} = PPF\ for\ Dom.Pass._{(CY-1)} \times (1 + 50\%\ of\ Delta\ CPI\ (IW))$$

Where,

- $PPF\ for\ Dom.Pass._{(CY)}$ means the revised Domestic Per Passenger Fee to be paid by the Concessionaire in the new Concession Year;
- $PPF\ for\ Dom.Pass._{(CY-1)}$ means Per Passenger Fee being paid by the Concessionaire in the previous Concession Year;
- $Delta\ CPI\ (IW)$ shall be calculated as follows:

$$\frac{\text{[Latest available monthly CPI (IW) as of the date of calculation]} - \text{[CPI (IW) pertaining to 12 (twelve) months prior to such latest available monthly CPI (IW)]}}{\text{CPI (IW) pertaining to 12 (twelve) months prior to such latest available monthly CPI (IW)}}$$

15. Inflation

15.1. Despite measures to control and mitigate the spread of Covid-19 pandemic by large economies and India, there are concerns of inflation rising sharply. For the monetary policy to remain accommodative in response to a further sustained period of low-inflation, inflation risks need to be weighed carefully. Many commentators have argued that the pandemic may lead to higher inflation than what has been witnessed over the past decade. Commentators have also cautioned on a sustained period of above-target inflation.

15.2. The following table summarizes the inflation as per CPI[35] from 2021-2026:

[35] Source: Oxford Economics forecasts as on 06th December 2021

Calendar Year	CPI	Source
(CPI Combined General)	Q3 FY22 5.0% Q4 FY22 5.8% Q1 FY23 5.2% Q2 FY23 5.2%	Survey of Professional Forecasters on Macroeconomic Indicators– Results of the 73nd Round released on 08th December, 2021
CY2021	5.2%	Oxford Economics Forecast
CY2022	5.1%	
CY2023	4.8%	
CY2024	5.1%	
CY2025	5.2%	
CY2026	5.0%	

*FY represents Financial year and CY represents Calendar year

Based on the above data, AIAL is using a 5.2% inflation rate for all operating expenses including manpower expenses, utility expenses, IT expenses, rates & taxes, security expenses, corporate allocation, administrative expenses, repair and maintenance, and other operating expenses.

16. Depreciation

16.1. With respect to assets taken over from AAI as on COD as per Estimate Fixed Asset Register, AIAL proposes to calculate depreciation based on the remaining useful lives of the assets.

16.2. AIAL has considered the depreciation for the new assets based on the useful life of the assets as per the Companies Act. AIAL also submits that the same is consistent with Authority's Order No. 35/2017-18 dated 12th January 2018 and amendment to Order No. 35/2017-18 dated 09th April 2018.

16.3. Additionally, AIAL has carried out an independent technical evaluation (Annexure – C) of the various assets and has arrived at different useful lives. The process followed for the technical evaluation of the useful lives of assets of AIAL is as follows:

16.3.1. Physical inspection of assets

16.3.2. Detailed discussions with AAI pertaining to usage of various assets

16.3.3. Guidance for determination of Useful Life given in Depreciation under Companies Act, 2013 Schedule 2, AERA, Marshall & Swift Valuation Service (MVS) and American Society of Appraisers (ASA).

16.3.4. Reviewing break-up costs of various components within an asset class

16.4. Following are the useful life and depreciation rates assumed for the TCP (in%) as per the study conducted by technical consultant:

Particulars	Book Depreciation	Useful Life (Years)	Income Tax Rates
Terminal Building	4%	25	10.0 %
Runway, Taxiway and Apron	5%	20	10.0 %
Cargo building	4%	25	10.0 %
Cargo Equipment	13.3%	7.5	15.0 %
Boundary wall	20%	5	10.0 %
Software	33.3%	Not provided	40.0 %
IT equipment	33.3%	3	15.0 %
Security equipment	13.3%	7.5	15.0 %
Plant and Machinery	13.3%	7.5	15.0 %
Other Buildings	3.3%	30	10.0 %

Particulars	Book Depreciation	Useful Life (Years)	Income Tax Rates
Access Road	10%	10	10.0 %
Fuel Farm (considered same as Plant & Machinery)	13.3%	7.5	15.0%
Furniture & fixtures	14.3%	7	10.0%
Vehicles	20%	5	15.0%
Office equipment	20%	5	15.0%
Intangible Assets (not part of the Technical study)	14.3%	7	25.0%

Terminal Building

16.5. A reduction in the useful life of the terminal building has been arrived at as based on a review of the breakup of cost of construction of the terminal building of Mangalore airport. The following table provides a break-up of the terminal building cost. Cost break-up of various components of terminal building is not expected to differ much from airport to airport. Based on the components' costs, their weighted contributions were calculated, thereby arriving at the revised useful life of the terminal building:

Component	Percent Contribution to total cost of TB (2)	Technical Useful Life Assessment in Years (3)	Weighted Contribution (2) x (3)
False Ceiling	3%	10	0.34
Sanitation	2%	10	0.21
Glass work & glass facades	6%	15	0.96
Flooring works	7%	10	0.70
Remaining components of the structure	81%	30	24.36
Total	**100%**		**26.56**
		Say	**25**

16.6. The useful lives of various components have been arrived at based on the renovation/reconfiguration works that are usually carried out for the abovementioned sub-components. Wear and tear of these components due to weather conditions has also been considered to calculate the useful life of the terminal building.

Runways, Taxiways, and Aprons

16.7. A reduction in the economic useful life of this class of assets is based on discussions with technical personnel from AAI. Additionally, the existing runway needs modification works to cater to the changing visibility conditions in the Airport. There is a requirement for installation of Centreline Lighting; this requires surface preparation and laying adhesives to ensure sufficient bonding between existing surface which is of Pavement Quality Concrete with new layer of Bituminous Concrete. The Centreline Lighting will be provided on this new layer.

Plant & Equipment

16.8. Plant & Machinery, along with various equipment are broadly used for 24 hours, since there are arrivals and departures 24 hours a day. Considering these circumstances, these assets are used on three-shift basis. Due to higher usage of these equipment`s and associated wear and tear, lower economic useful life of 7.5 years is assumed.

16.9. The methodology used by AIAL is supported by the Companies Act. Following is the note no. 6 given in Depreciation under Companies Act 2013, Schedule II:

"The useful lives of assets working on shift basis have been specified in the Schedule based on their single shift working. Except for assets in respect of which no extra shift depreciation is permitted (indicated by NESD in part C), if an asset is used for any time during the year for double shift, the depreciation will increase by 50% for that period and in case of

the triple shift, the depreciation shall be calculated on the basis of 100% for that period."

16.10. Also, the Independent chartered engineer based on his experience in varied industries has concurred with the useful life adopted by AIAL.

Following is the depreciation and amortization calculated by AIAL based on above methodology and also after applying necessary aero allocation ratios:-

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Depreciation and amortization of assets	40.99	89.96	175.30	244.54	407.96	**958.74**

17. Income Tax

17.1. The computation of income tax on aeronautical income, has been made on the prevailing Income Tax laws and rules. Further, the aeronautical segment has been treated as a standalone entity with its own tax computations. Therefore, this may not necessarily reflect the overall tax computation of AIAL as a whole.

17.2. Further while calculating aeronautical tax we have considered following exclusions:

- Non-aeronautical operating costs and/or depreciation
- Concession Fee is not considered as expense

17.3. The following table summarizes the income tax projections that have been calculated as per the above assumptions for AIAL:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	**Total**
Aero PBT	(164.80)	192.12	314.77	397.61	245.32	**985.02**
Add: - Depreciation & amortization	40.99	89.96	175.30	244.54	407.96	**958.74**
Taxable income before tax depreciation	(123.81)	282.08	490.06	642.15	653.28	**1943.76**
Less: Tax Depreciation	(52.26)	(211.36)	(338.30)	(434.20)	(947.88)	**(1983.99)**
Taxable income	(176.07)	70.71	151.77	207.96	(294.60)	**(40.23)**
Taxable income after set-off of business losses	(52.26)	0.00	72.27	207.96	(294.60)	**(66.63)**
Less: Carry-forward unabsorbed depreciation	(26.30)	(78.56)	(78.56)	(6.29)	0.00	
Taxable income under normal tax provisions	(78.56)	(78.56)	(6.29)	201.66	(294.60)	**(256.35)**
Tax rate	25.17%					
Tax Expenses	**0.00**	**0.00**	**0.00**	**(50.76)**	**0.00**	**(50.76)**

18. Non-Aeronautical Revenue

18.1. The twin impact of the pandemic and economic conditions is likely to continue on a number of travel segments as also the aviation sector as a whole for several years. Additionally, the second wave of Covid-19 has created fear in the mind of the passengers, as also airport staff and people are afraid to buy anything due to the fear of getting infected. Due to the impact of the pandemic and economic conditions on traffic and likely reduced consumer spending at airports, AIAL is expecting an adverse impact on non-aeronautical revenue.

18.2. AIAL has outsourced all non-aeronautical businesses to the Master Concessionaire with emphasis on: -

18.2.1. High standards of airport services, safety and security
18.2.2. Functionality and flexibility
18.2.3. Deployment of modern information technology systems and equipment
18.2.4. Environment friendliness
18.2.5. Cost effectiveness
18.2.6. Ability and willingness to provide a high level of customer service at competitive prices
18.2.7. Experience and expertise in provision of non-aeronautical services with innovation in concept and design
18.2.8. Experience and expertise in city side development to meet the requirements of the travellers
18.2.9. Follow good industry practice in performing the Airport Services

18.3. The process for selection and appointment of Master Concessionaire was carried out through a global competitive bidding process as per the terms of the Concession Agreement. The RfP for the tendering process was issued in March 2021 and a Master Concession Agreement has been signed on 18th May 2021.

18.4. The Master Concessionaire scope is to develop, operate, maintain, manage the following at SVPIA, Ahmedabad in accordance with best-in-class standards and facilities at comparable airports and good industry practices:

- ► Duty free stores
- ► Food and beverages outlets
- ► Retail outlets
- ► Lounges
- ► Advertising, sponsorship and promotion opportunities
- ► Car parks and ground transportation facilities
- ► Airport hotels and transit hotels
- ► Preferred partners association for including but not limited to pouring
  rights, services in air (Wi-Fi, Bluetooth, aroma etc.), music and video rights, mobile wallet, payment gateway and other
- ► Business centre
- ► City side development
- ► Flight catering services
- ► Foreign exchange services
- ► Freight consolidators/forwarders or agents
- ► Left luggage, lost and found, excess baggage
- ► Messenger services
- ► Porter service
- ► Special assistance services
- ► Vending machines
- ► Meet and assist services
- ► Provision of land and space for various stakeholders at Airport
- ► Various passenger amenities, including but not limited to, foreign exchange, SIM card, child-care room, kids play areas, car rental and hotel reservation counters, digital wallet tie-ups, ATMs, spas, and entertainment areas
- ► Airport village comprising of various retail, food and beverage, entertainment and amenities options; and
- ► Any other services as may be mutually agreed or permitted pursuant to applicable law.

18.5. For each year during the term of the Agreement, Master Concessionaire will pay to airport operator an amount which is higher of the following:

- Minimum Guarantee amount of INR 33 Crores per annum; or

- Amount arrived by multiplying the revenue share percentage i.e. 10% as quoted by Master Concessionaire with Gross Revenue in that year.

18.6. Above mentioned Minimum Guarantee amount will remain unchanged for first five years and will increase by 50% of CPI thereafter.

18.7. Following table summarizes the non-aeronautical revenues at AIAL:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	Total
Master Concessioner	27.48	33.00	33.00	33.00	33.00	**159.48**
Others	3.60	0.63	0.66	0.70	0.73	**6.33**
Total Non-Aero Revenue	**31.08**	**33.63**	**33.66**	**33.70**	**33.73**	**165.81**

19. Truing up

19.1. AAI has appointed a consultant to determine Initial RAB as on COD and true-up for the second control period upto COD. AAI will subsequently share the data on Initial RAB and true-ups with AERA.

19.2. As mentioned earlier, TCP is starting from 1st April 2021. However, AIAL started operations from COD, i.e. 07th November 2020. Accordingly, AIAL is entitled to a true-up for the period between COD and start of TCP. The following table summarizes the submission of AIAL under various regulatory blocks:

Particulars (in INR Crores)	FY21
Add: FRoR return @14.76% on avg. RAB	16.41
Add: Operating expenses	68.83
Add: Depreciation	21.88
Less: 30% of Non – Aero revenues	(6.18)
ARR - Aero (A)	100.95
Actual Aero Revenues earned (B)	**45.77**
True-up (A-B)	55.18
PV of true-up	**58.26**

20. Aggregate Revenue Requirement

20.1. Based on the above analysis, AIAL estimates the present value of target revenue for the airport related services to be INR 3,854 Crores. The following table summarizes the financial projections of AIAL for the TCP:

Particulars (in INR Crores)	FY22	FY23	FY24	FY25	FY26	**Total**
Add: FRoR return 14.76% on avg. RAB	50.58	167.53	367.57	532.20	982.24	**2,100.12**
Add: Operating expenses	213.28	519.51	502.85	538.55	611.60	**2,385.78**
Add: Depreciation	40.99	89.96	175.30	244.54	407.96	**958.74**
Add: Taxes	0.00	0.00	0.00	0.00	0.00	**0.00**
Add: True-up from COD to 31st March 2021	0.00	0.00	0.00	50.76	0.00	**50.76**
Less: 30% Non – Aero revenues	58.26					**58.26**
ARR – Aero	(9.33)	(10.09)	(10.10)	(10.11)	(10.12)	**(49.74)**
PV Factor as on 1st April 2021	353.78	766.90	1,035.62	1,355.94	1,991.68	**5,503.91**
PV of ARR	1.00	0.87	0.76	0.66	0.58	
PV of ARR for Control Period	3,854.19					

21. Annual Tariff Proposal

As regard to the annual tariff proposal, it is submitted that the detailed pricing proposal (rate card) will be submitted on release of consultation paper by AERA.

22. Annexures

(A) Concession Agreement and its Schedules (https://www.aai.aero/en/system/files/resources/Ahmedabad-Airport.pdf)

(B) CAPA India Report

(C) Chartered Engineer Reports (area allocation and useful life)

(D) Cost of Equity Report

(E) Monthly Invoice from AAI (Employee Costs)

(F) AERA Letter (Tariff extension till September 2021 and March 2022)

(G) IATA Reports

(H) Estimated Deemed Initial RAB and CWIP Invoice from AAI

(I) AVSEC Circular No. 02/2020 and its addendum

(J) Audited Financial Statements as on 31st March 2021

(K) Letters by AAI for land acquisition

(L) Forms as required under AERA guidelines

(M) AVSEC Circular – 03/2021

(N) Minutes of AUCC conducted on 21st Jan 2021