**फा. सं. ऐरा/20010/एमवाईटीपी/बीकेएफएफ/एफएफ/कन्नूर/सीपी-II2023-28**
**File No. AERA/20010/MYTP/BKFF/FF/KANNUR /CP-II/2023-28**

**परामर्श पत्र संख्या 09/2025-26**
**Consultation Paper No. 09/2025-26**

सत्यमेव जयते

# भारतीय विमानपत्तन आर्थिक विनियामक प्राधिकरण
# Airports Economic Regulatory Authority of India

**बीपीसीएल केआईएएल फ्यूल फार्म प्राइवेट लिमिटेड (बीकेएफएफपीएल) के संबंध में कन्नूर अंतर्राष्ट्रीय हवाईअड्डा, कन्नूर में फ्यूल फार्म और इन-टू-प्लेन सेवाओं के लिए द्वितीय नियंत्रण अवधि (01 अप्रैल, 2023 - 31 मार्च, 2028) के लिए टैरिफ निर्धारित करने के मामले में**

**IN THE MATTER OF DETERMINATION OF TARIFF FOR FUEL FARM AND INTO PLANE SERVICES IN RESPECT OF BPCL KIAL FUEL FARM PVT. LIMITED (BKFFPL) AT KANNUR INTERNATIONAL AIRPORT, KANNUR FOR THE SECOND CONTROL PERIOD (1st April 2023 – 31st March 2028)**

**जारी करने की तारीख : 24 मार्च, 2026**
**Date of Issue: 24th March, 2026**

तृतीय तल/ 3rd Floor,
उड़ान भवन/ Udaan Bhawan,
सफदरजंग हवाईअड्डा/ Safdarjung Airport
नई दिल्ली/New Delhi – 110003

# PREFACE

The Authority has released this Consultation Paper after the detailed analysis of Multi-Year Tariff Proposal ('MYTP'), including various assumptions & estimates related to regulatory building blocks given in the MYTP submitted by the BPCL KIAL Fuel Farm Pvt. Limited (BKFFPL) in respect of its Fuel Farm Services at Kannur International Airport, Kannur. Accordingly, the Authority's proposals on the various aspects of the Tariff determination process have been explained in detail in this Consultation Paper.

Thus, in accordance with the provisions of Section 13(4) of the AERA Act, 2008, the written comments on **Consultation Paper No. 09/2025-26 dated 24/03/2026** are invited from the Stakeholders, preferably in electronic form, at the following address:

Director (P&S)
Airports Economic Regulatory Authority of India,
Third Floor, Udaan Bhawan,
Safdarjung Airport,
New Delhi – 110003

Email: director-ps@aera.gov.in; satish.kr@aera.gov.in;

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| | |
|---|---|
| **Last Date for submission of Stakeholders' comments** | **14.04.2026** |
| **Last Date for submission of counter comments** | **21.04.2026** |

Comments and Counter Comments will be posted on AERA's website www.aera.gov.in

For any clarification/information, Director (P&S) may be contacted at Telephone No. +91-11-24695048

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## List of Abbreviations

| Abbreviations | Expansion |
|---|---|
| AAI | Airports Authority of India |
| ACS | Annual Compliance Statement |
| AERA / Authority | Airports Economic Regulatory Authority of India |
| AO | Airport Operator |
| ARR | Aggregate Revenue Requirement |
| ATF | Aviation Turbine Fuel |
| ATM | Air Traffic Movement |
| ATP | Annual Tariff Proposal |
| BCAS | Bureau of Civil Aviation Security |
| BKFFPL | BPCL Kannur Fuel Farm Private Limited |
| BPCL | Bharat Petroleum Corporation Limited |
| BSSPL | Bharat Star Service Private Limited |
| CA | Concession Agreement |
| CAGR | Compounded Annual Growth Rate |
| CAPEX | Capital Expenditure |
| CGF | Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft |
| CPI | Consumer Price Index |
| FAR | Fixed Assets Register |
| FCP | First Control Period |
| FHS | Fuel Hydrant System |
| FIC | Fuel Infrastructure Charges |
| FIF | Fuel Infrastructure Fee |
| FRoR | Fair Rate of Return |
| FY | Financial Year |
| GOI | Government of India |
| HPCL | Hindustan Petroleum Corporation Limited |
| INR or ₹ | Indian Rupees |
| IOCL | Indian Oil Corporation Limited |
| ITP | Into Plane Services |
| JV | Joint Venture |
| KL | Kilo Litre |
| KIAL | Kannur International Airport Limited |
| MCLR | Marginal Cost of Fund Based Lending Rate |
| MoM | Minutes of Meeting |
| MYTP | Multi Year Tariff Proposal |
| O&M | Operation & Maintenance Expenditure |
| OMC | Oil Marketing Companies |
| OPEX | Operating Expenditure |
| P.A. | Per Annum |
| PAX | Passenger(s) |
| PSU | Public Sector Undertaking |
| RAB | Regulatory Asset Base |
| SBI | State Bank of India |
| SCP | Second Control Period |
| Sq.m. | Square Meter |

# 1. BACKGROUND

## 1.1 Introduction

1.1.1 Kannur International Airport is a Greenfield airport located close to Mattannur in Kannur district of Kerala. It is built under the Public Private Partnership (PPP) model. It has been promoted by Govt. of Kerala with equity participation from PSUs (BPCL and Kerala PSUs), AAI and private sector.

1.1.2 KIAL (Airport Operator) and BPCL entered into a Joint Venture Agreement on 29.12.2014 and subsequently, a Joint Venture Company, namely, BPCL KIAL Fuel Farm Private Limited (BKFFPL) was incorporated on 18.05.2015. The company was formed to design, develop, construct, manage, maintain, upgrade and operate the Aviation Fuel Farm with allied facilities and Hydrant System at Domestic and International Terminals of Kannur International Airport for the supply of ATF on exclusive basis.

1.1.3 BKFFPL, accordingly, has the right to operate the fuel farm at the Kannur International Airport for a period of 30 years, extendable by another 30 years on mutually agreed terms and conditions.

1.1.4 Currently, Bharat Petroleum Corporation Limited (BPCL), Hindustan Petroleum Corporation Limited (HPCL), Indian Oil Corporation Limited (IOCL) and Shell MRPL are supplying oil to the Fuel Farm facility at Kannur airport. BKFFPL is providing services relating to the receipt, storage, and delivery of ATF to the aircrafts.

1.1.5 BKFFPL commenced its commercial operations related to Fuel Farm/ ITP services on 09.12.2018 (same as COD of the airport).

1.1.6 Shareholding pattern of BKFFPL is given below:

**Table 1: Shareholding Pattern of BKFFPL**

| S. No. | Particular of the Shareholder | Percentage of Shareholding (%) |
|---|---|---|
| 1 | Bharat Petroleum Corporation Limited | 74 % |
| 2 | Kannur International Airport Limited | 26 % |
| | **Total** | **100 %** |

## 1.2 Tariff Determination History

1.2.1 The Authority initially approved an Ad-hoc Tariff for BKFFPL vide Order No. 34/2018-19 dated 04.12.2018, effective from the COD up to 30.06.2019, to enable the BKFFPL to commence its commercial operations at Kannur airport. Subsequently, the validity of this ad-hoc order was extended up 30.12.2019, through interim orders, issued from time to time.

1.2.2 The Authority approved regular tariff for the ISP in respect of 2$^{nd}$ & 3$^{rd}$ tariff year i.e., FY 2019-20 & FY 2020-21 of the First Control Period (FY 2018-19 to FY 2023-24) vide Order No. 14/2019-20 dated 28.10.2019.

1.2.3 Thereafter, the Authority, vide Order No. 44/2021-22 dated 15th March, 2022 determined tariff for the 4th & 5th Tariff Year of the First Control Period (FY 2021-22 and FY 2022-23) along with the true up of FY 2019-20 and FY 2020-21 [2nd & 3rd tariff year of First Control Period (FCP)].

The Authority, through various interim orders has extended the validity of tariff in respect of Fuel Farm and ITP Services (prevailing as on 31.03.2021) for BKFFPL at Kannur International Airport up to 31.03.2026 as an interim measure, pending finalization of regular tariff for the Second Control Period.

### 1.3 Submission of Multi Year Tariff Proposal (MYTP) for the Second Control Period (SCP)

1.3.1 BKFFPL, vide letter dated 02.01.2025 submitted the revised MYTP in respect of the Second Control Period (FY 2023-24 to FY 2027-28) for the determination of regular tariff in respect of the Fuel Farm and ITP Services being provided by it at the Kannur International Airport.

1.3.2 In its MYTP, BKFFPL has requested the Authority to consider, inter-alia, the under-recovery amounting to ₹ 10.80 Crores for the First Control Period (FY 2018-19, FY 2021-22 and FY 2022-23). M/s BKFFPL has submitted the audited financial statements for a company as a whole for the FY 2022-23 and FY 2023-24.

The Authority obtained the requisite clarifications & additional details from BKFFPL, from time to time pertaining to various aspects of tariff determination process, including regulatory building blocks, such as, Capex, Operation & Maintenance expenditure etc., to assess the reasonableness of the proposed Capex, Opex etc. for finalizing this Consultation Paper. The sequential timeline of the events starting with submission of MYTP up to finalization of Consultation Paper is presented in the table below:

**Table 2: Timelines for submission of MYTP and other information by BKFFPL**

| Event | Date |
|---|---|
| MYTP submitted by BKFFPL for the Second Control Period along with true up of FY 2021-22 and FY 2022-23 | 02.01.2025 |
| First Set of queries raised by the Authority related to agreement, Opex, etc. | 13.03.2025 |
| Reminder sent to BKFFPL regarding queries | 02.04.2025 |
| Partial data shared by BKFFPL related to agreements, Opex etc. | 07.04.2025 |
| Second Set of queries raised by the Authority along with the pending queries | 29.04.2025 |
| Reminder sent to BKFFPL regarding queries | 14.05.2025 |
| Partial data shared by BKFFPL related to Repayment Schedule, | 15.05.2025 |
| Third Set of queries raised by the Authority | 01.07.2025 |
| Revised MYTP submitted by the ISP | 03.07.2025 |
| Fourth Set of queries raised by the Authority | 22.07.2025 |
| Revised MYTP submitted by the ISP | 06.08.2025 |
| Data shared by the ISP with regard to Depreciation | 23.08.2025 |
| Information sought regarding Depreciation, Loan details | 09.10.2025 |
| Reply received incorporating the information | 16.10.2025 |
| Submission of final version of MYTP with actual financials including FY 2024-25 | 29.10.2025 |

| Event | Date |
|---|---|
| Clarification sought regarding steep increase in few components of Operator Charges and Other Expenses for FY 2025-26 to FY 2027-28 | 06.11.2025 |
| Break up of operator charges received from ISP | 11.11.2025 |
| Breakup of CAPEX for FY 2025-26 received by the ISP | 05.01.2026 |
| Audited Financials for FY 2024-25 received | 27.01.2026 |

1.3.3 BKFFPL is the sole service provider in respect of the Fuel Farm and Into Plane Services at Kannur International Airport. Accordingly, in its MYTP, the ISP has proposed a consolidated fee of ₹ 2608.04 /KL for both the above-mentioned services (FF & ITP Services).

1.3.4 The Authority notes that BKFFPL conducted the Users Consultation Meeting on 19.09.2025 in respect of its Fuel Farm & ITP Services being provided at Kannur International Airport and has submitted the Minutes of the Meeting (MoM) to AERA. As per the minutes of said meeting, representative of Airlines' associations like FIA, Airlines, Shell Aviation and Oil Marketing Companies had attended the meeting.

From the MoM submitted by BKFFPL, the Authority observes that ISP shared key aspects of its proposal including brief on the storage tank capacity, allied facilities, operational aspects, organizational structure, and details of capital expenditure was also given. It was also highlighted that no major investments are currently planned, except for meeting essential requirements wherein the expenditure will be minor.

1.3.5 Mr. Ganesh Iyer, representing IndiGo, requested that the Company consider a reduction in Fuel Infrastructure Charges (FIC), to make it attractive for the airlines to uplift fuel, and the impact of taxes. In response, the CEO of BKFFPL encouraged airlines to enhance traffic by deploying additional flights and, where feasible, consider upgrading smaller aircraft to wide-body aircraft to enable the company to further optimize operations and work towards a lower tariff.

1.3.6 The Authority has reviewed the MYTP submission by BKFFPL with respect to various regulatory building blocks. The ensuing chapters of this Consultation Paper present the Authority's detailed analysis of MYTP submitted by BKFFPL and AERA's proposals on each regulatory building block.

1.3.7 The Authority, has issued this Consultation Paper after carrying out due-diligence in accordance with CGF Guidelines, 2011 and considering the additional inputs & various information/clarifications submitted by the BPCL, from time to time.

1.3.8 The final chapter summarizes Authority's proposals regarding each of the building block. The Authority invites views/ comments of the stakeholders, on the various proposals of the Authority in the Consultation Paper, for determination of the regular tariff in respect of the BKFFPL's Fuel Farm & ITP Services for the Second Control Period.

# 2. METHODOLOGY FOR TARIFF DETERMINATION

## 2.1 Principles for Determination of Tariff for the "Aeronautical Services"

2.1.1 The Authority, vide Order No. 12/2010-11 dated 10.01.2011 finalized its approach in the matter of Regulatory Philosophy and Approach in Economic Regulation of the Services provided for Cargo Facility, Ground Handling and Supply of Fuel to the Aircraft (CGF Services) at the major airports. Accordingly, the Authority issued the Airports Economic Regulatory Authority of India (Terms and Conditions for Determination of Tariff for Services provided for Cargo Facility, Ground Handling and supply of Fuel to the Aircraft) Guidelines, 2011 ("the CGF Guidelines") vide Direction No. 04/2010-11 dated 10.01.2011.

2.1.2 The Tariff for CGF Services is determined by the Authority in accordance with CGF Guidelines, 2011, either under the 'Light Touch' or 'Cost Plus' regulatory approach. The regulatory approach for the determination of tariff for the Independent Service Provider (ISP) is adopted by the Authority, inter-alia, based the assessment of the materiality, competition etc. pertaining to the regulated service(s) provided by the ISP at a major airport.

2.1.3 In accordance with the above mentioned CGF Guidelines (clause 4.3.), the following procedure is adopted for determination of the Materiality Index of Regulated Service:

**Materiality Assessment ($MI_F$)**:

$$= \frac{Fuel\ Throughput\ in\ Kilolitres\ at\ Kannur\ International\ Airport}{Total\ Fuel\ Throughput\ in\ Kilolitres\ at\ all\ Major\ Airports} \times 100$$

The Materiality Index in respect of service relating to supply of fuel to the aircrafts at Kannur International Airport (based on the fuel throughput data for FY 2024-25) is as under:

$MI_F = (47{,}532/\ 97{,}84{,}340)\ X\ 100 = \mathbf{0.49\%}$

2.1.4 The percentage share of Fuel Throughput at Kannur International Airport in respect of the FY 2024-25 is 0.49 %, which is lower than Materiality Index ($MI_F$) of 5% for the regulated service (Fuel Farm & ITP Services). Hence, the regulated service is deemed "Not Material" at Kannur International Airport during the Second Control Period.

**Competition Assessment:**

2.1.5 The CGF Guidelines provides that where a regulated service is being provided at a major airport by two or more Service Provider(s), it shall be deemed "competitive" at that airport and if such service is provided by less than two Service Providers, it shall be deemed "not competitive".

The Guidelines also provide that the Authority may in its discretion consider such other additional evidence regarding reasonableness of competition, as it may deem fit and the determination of number of Service Provider(s) at a major airport shall include the Airport Operator, if the Airport Operator is also providing Regulated Service(s) at that major airport.

2.1.6 Fuel Farm services at Kannur International Airport are being provided solely by BKFFPL. Hence, the service is deemed as "not competitive".

2.1.7 The Authority notes that BKFFPL is the sole operator of the Fuel Farm and ITP Services at Kannur International Airport and is operating in a monopolistic environment/ situation. Considering that the aviation turbine fuel is the main cost driver for the Airlines, the Authority, therefore examine the MYTP submission of the ISP, including various regulatory building blocks, in detail to ensure that only efficient Capex and Operating Expenses are considered while determining tariff for the Second Control Period, in respect of the BKFFPL's Fuel Farm & ITP Services at Kannur International Airport.

The Authority, as part of its tariff determination process endeavors to strike a balance between the interest of service provider and users of regulated services.

2.1.8 The Authority notes that ISP itself has submitted its MYTP for the Second Control Period under the Cost Plus Regulatory Approach. Further, the Authority, in the past has determined the regular tariff for the First Control Period (FY 2019-20 to FY 2022-23) in respect of Fuel Farm services at Kannur International Airport under the Cost-Plus regulatory approach. Accordingly, the Authority proposes to consider **Cost Plus regulatory approach** for determination of the tariff in respect of the Second Control Period.

2.1.9 The formula for determining the Aggregate Revenue Requirement (ARR) for the Control Period is as follows:

$$\boldsymbol{ARR_t = (FRoR \times RAB_t) + D_t + O_t + T_t - NAR_t}$$

where:

't' is the Tariff Year in the Control Period;

$\mathrm{ARR_t}$ is the Aggregate Revenue Requirement for year 't';

FRoR is the Fair Rate of Return for the Control Period;

$\mathrm{RAB_t}$ is the Regulatory Asset Base for the year 't';

$\mathrm{D_t}$ is the Depreciation corresponding to the RAB for the year 't';

$\mathrm{O_t}$ is the Operation and Maintenance Expenditure for the year 't', which includes all expenditures incurred the Airport Operator(s) including expenditure incurred on statutory operating costs and other mandate operating costs;

$\mathrm{T_t}$ is the corporate tax for the year 't' paid by the airport operator on the aeronautical profits; and $\mathrm{NAR_t}$ is the revenue from services other than aeronautical services for the year 't'.

2.1.10 All the figures presented in this Consultation Paper have been rounded off up to two decimals points.

2.1.11 All Cash flows have been assumed on last day of the Financial Year for the purpose of computing PV of Revenues & Expenses.

## 2.2 Authority's Proposal regarding Methodology for the Determination of Tariff in respect of Fuel Farm & ITP Services at Kannur International Airport for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following regarding Methodology for the Determination of Aeronautical Tariff in respect of BKFFPL's operations at Kannur International Airport for the Second Control Period:

2.2.1 To adopt "Cost Plus Approach" on Single Till basis, for the Determination of Tariff in respect of the Fuel Farm & ITP Services, in respect of the Second Control Period (FY 2023-24 to FY 2027-28).

# 3. TRUE UP FOR THE FY 2021-22 AND FY 2022-23 OF THE FIRST CONTROL PERIOD

## 3.1 BKFFPL's submission in respect of true up for the First Control Period (FY 2021-22 and FY 2022-23)

3.1.1 M/s BKFFPL has submitted a true up of the ARR for the First Control Period (FY 2021-22 and FY 2022-23) amounting to ₹ 20.14 crores (NPV ₹ 24.11 crores) with net under recovery of ₹ 7.30 crores (for FY 2021-22 & FY 2022-23) as a part of its MYTP submission for the Second Control Period.

The BKFFPL's submission regarding shortfall in Target Revenue for the First Control Period (FY 2021-22 and FY 2022-23) is presented in the table given below:

**Table 3: Shortfall in Revenue Recovery for the First Control Period (FY 2021-22 and FY 2022-23) submitted by BKFFPL**

*(₹ in crores)*

| Particulars | Reference | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| Opening RAB | A | 15.24 | 14.33 | |
| Closing RAB | B | 14.33 | 13.44 | |
| **Average RAB** | C | **14.78** | **13.88** | |
| Fair Rate of Return (FRoR) | D | 11.70% | 11.70% | |
| **Return on RAB*** | **E = C*D** | **1.73** | **1.62** | **3.35** |
| Depreciation | F | 0.90 | 0.90 | **1.80** |
| O&M Expenses | G | 4.75 | 5.28 | **10.03** |
| Taxation | H | - | - | **0.00** |
| Return on Security Deposit | I | 0.08 | 0.16 | **0.24** |
| Less: Other Income | J | -0.09 | -0.11 | **-0.20** |
| Under Recovery (FY 2019-20 & 2020-21) | K | 4.92 | - | **4.92** |
| **Aggregate Revenue Requirement (ARR)** | **L = Sum (E:K)** | **12.30** | **7.85** | **20.14** |
| Actual Aero Revenue | M | 5.24 | 10.62 | **15.86** |
| **Under/(Over) Recovery** | **N=L-M** | **7.06** | **(2.77)** | 4.28 |
| FRoR | O | 11.70% | 11.70% | |
| PV Factor | P | 1.25 | 1.12 | |
| **Compounding of ARR** | Q = L*P | 15.34 | 8.77 | **24.11** |
| **Compounding of Aero Revenue** | R = M*P | 6.54 | 11.86 | **18.40** |
| **Shortfall to be recouped** | S = Q-R | 8.80 | (3.09) | **5.71** |
| **Under/ (Over) Recovery in PV Terms** | | **11.24** | **(3.94)** | **7.30** |

3.1.2 The Authority had already trued-up Aggregate Revenue Requirement (ARR) for 2nd & 3rd tariff years of the First Control Period (FY 2019-20 and FY 2020-21) vide Tariff Order No. 44/2021-22 dated 15.03.2022.

Accordingly, the Authority, as part of tariff determination for the Second Control Period, proposes to consider the true up of ARR for BKFFPL at Kannur International Airport in respect of the FY 2021-22 and FY 2022-23 (First Control Period), based on the actual fuel throughput and considering actual financial figures as per the audited accounts.

3.1.3 The Authority has analyzed MYTP submission of BKFFPL, including regulatory building blocks, for computing the under recovery of ARR for the First Control Period (FY 2021-22 and FY 2022-23) and same is discussed in the ensuing paras.

## 3.2 True up of Fuel Throughput for the First Control Period (FY 2021-22 and FY 2022-23)

3.2.1 The ISP vide its submission, has submitted the following Fuel Throughput volume for the true up of the First Control Period (FY 2021-22 and FY 2022-23) which is presented in the table below:

**Table 4: BKFFPL's submission in respect of the Fuel Throughput for the First Control Period (FY 2021-22 and FY 2022-23)**

*(in KL)*

| Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|
| Fuel Throughput | 28,390 | 40,525 | **68,915** |

3.2.2 The Authority vide Order No. 44/2021-22 dated 15.03.2022 approved the Fuel Throughput volume for the First Control Period (FY 2021-22 and FY 2022-23) which is presented in the table below:

**Table 5: Fuel Throughput approved by the Authority in the First Control Period (FY 2021-22 and FY 2022-23)**

*(in KL)*

| Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|
| Fuel Throughput | 26,929 | 44,882 | **71,811** |

3.2.3 The Authority observes that the actual fuel throughput volume at the airport is less than the fuel throughput approved by the Authority vide Order No. 44/2021-22 by 4%. The Authority proposes to consider the actual Fuel Throughput for the First Control Period (FY 2021-22 and FY 2022-23) as submitted by the ISP, as per Table 4.

## 3.3 True up of Capital Expenditure for the First Control Period (FY 2021-22 and FY 2022-23)

3.3.1 The actual capital expenditure incurred on the Fuel Farm & ITP Services at Kannur International Airport pertaining to the First Control Period (FY 2021-22 and FY 2022-23) as submitted by BKFFPL is given in the table below:

**Table 6: BKFFPL's submission in respect of the actual CAPEX incurred for the First Control Period (FY 2021-22 and FY 2022-23)**

*(₹ in crores)*

| Sl. No. | Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| 1. | Furniture and Fixtures | 0.00 | 0.0005 | **0.0005** |
| 2. | Office Equipment | 0.0019 | 0.0034 | **0.0053** |
| 3. | Plant & Machinery | 0.0011 | 0.0028 | **0.0039** |
| **Total** | | **0.0030** | **0.0068** | **0.0098** |

### 3.4 Authority's Examination regarding the True up of Capital Expenditure (CAPEX) for the FY 2021-22 and FY 2022-23 of the First Control Period

3.4.1 The ISP had not proposed any CAPEX for the FY 2021-22 and FY 2022-23 (First Control Period); accordingly, Nil CAPEX was considered in the Tariff Order No. 44/2021-22 for the FCP.

3.4.2 However, due to operational requirements, a negligible CAPEX of ₹ 0.98 Lakh had been incurred by the BKFFPL during the First Control Period (FY 2021-22 and FY 2022-23).

3.4.3 The Authority, for true up of Capex for the FY 2021-22 & FY 2022-23, proposes to consider the actual CAPEX incurred by BKFFPL amounting to ₹ 0.98 lakh as per Table 6.

### 3.5 True up of Depreciation for the First Control Period (FY 2021-22 and FY 2022-23)

3.5.1 BKFFPL has submitted the useful life and depreciation rates pertaining to various Assets as per the table given below:

**Table 7: Useful life and Depreciation Rates in respect of various Assets proposed by BKFFPL for the First Control Period (FY 2021-22 and FY 2022-23)**

| Sl. No. | Particulars | Useful life (in years) | Depreciation Rates |
|---|---|---|---|
| 1. | Buildings | 26.74 | 3.74% |
| 2. | Computers & Peripherals | 3 | 33.33% |
| 3. | Computers & Peripherals – UPS System | 10 | 10% |
| 4. | Culverts & Drains | 24 | 4.17% |
| 5. | Dead Stock | - | - |
| 6. | Electrical Installations & Equipment | 10 | 10% |
| 7. | Electrical Installations & Equipment – Transformers, Panels, etc. | 26.74 | 3.74% |
| 8. | Furniture & Fixtures | 10 | 10.00% |
| 9. | Intangible Assets | 5 | 20.00% |

| | | | |
|---|---|---|---|
| 10. | Lab Equipment | 10 | 10.00% |
| 11. | Land Improvement | 26.74 | 3.74% |
| 12. | Office Equipment | 5 | 20.00% |
| 13. | Plant & Machinery | 15 | 6.67% |
| 14. | Plant & Machinery – ATF Collection vessel, sampling pit, etc | 8 | 12.50% |
| 15. | Plant & Machinery – DG Set, Panel, Compressors, Filters, etc. | 26.74 | 3.74% |
| 16. | Roads | 10 | 10.00% |
| 17. | Tanks | 25 | 4.00% |

3.5.2 BKFFPL has proposed true up of the depreciation of assets relating to Fuel Farm & ITP Facilities at Kannur International Airport, Kannur pertaining to the FY 2021-22 and FY 2022-23 of the First Control Period, as per the table given below:

**Table 8: Depreciation for the true up of the First Control Period (FY 2021-22 and FY 2022-23) proposed by BKFFPL**

*(₹ in crores)*

| SI. No. | Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| 1. | Buildings & Civil Works | 0.24 | 0.23 | **0.47** |
| 2. | Computers & Peripherals | - | - | **0.00** |
| 3. | Culverts & Drains | 0.04 | 0.04 | **0.08** |
| 4. | Electrical Equipment | 0.09 | 0.09 | **0.18** |
| 5. | Furniture & Fixtures | 0.03 | 0.03 | **0.05** |
| 6. | Lab Equipment | 0.01 | 0.01 | **0.01** |
| 7. | Office Equipment | 0.02 | 0.02 | **0.04** |
| 8. | Plant & Machinery | 0.08 | 0.08 | **0.16** |
| 9. | Roads | 0.25 | 0.25 | **0.49** |
| 10. | Tanks | 0.07 | 0.07 | **0.14** |
| 11. | Dead Stock | - | - | **0.00** |
| 12. | Land Improvement | 0.08 | 0.08 | **0.15** |
| | **Total** | **0.90** | **0.90** | **1.80** |

The Depreciation approved by the Authority for the FY 2021-22 and FY 2022-23 of the First Control Period in the Order No.44/ 2021-22 is presented in the table below:

**Table 9: Depreciation approved in the order for the FY 2021-22 and FY 2022-23 of the First Control Period**

(*₹ in crores)*

| SI. No. | Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| 1. | Buildings & Civil Works | 0.16 | 0.16 | **0.32** |
| 2. | Computers & Peripherals | 0.0008 | 0.0008 | **0.0016** |
| 3. | Culverts & Drains | 0.034 | 0.034 | **0.068** |
| 4. | Electrical Equipment | 0.079 | 0.079 | **0.16** |
| 5. | Furniture & Fixtures | 0.026 | 0.026 | **0.05** |
| 6. | Lab Equipment | 0.005 | 0.005 | **0.01** |
| 7. | Office Equipment | 0.024 | 0.024 | **0.049** |
| 8. | Plant & Machinery | 0.07 | 0.07 | **0.14** |
| 9. | Roads | 0.25 | 0.25 | **0.49** |
| 10. | Tanks | 0.07 | 0.07 | **0.14** |
| 11. | Dead Stock | - | - | **0.00** |
| 12. | Land Improvement | 0.03 | 0.03 | **0.06** |
| | **Total** | **0.74** | **0.74** | **1.49** |

## 3.6 Authority's Examination on True up of Depreciation for the FY 2021-22 and FY 2022-23 of the First Control Period

3.6.1 The Authority notes that as per the MYTP submission, BKFFPL, for computing depreciation for the true up of the First Control Period (FY 2021-22 and FY 2022-23), has considered Useful Life of Assets of various assets like Buildings, Plant & Machinery, Furniture and fixtures etc., which is different from the 'Useful Life of Airport Assets' as given in the AERA Order No. 35/2017-18 dated 12th January 2018, read with Amendment No. 01 to Order No. 35/2017-18. Further, the depreciation approved by the Authority in Order No. 44/2021-22 for the First Control Period amounts to ₹ 1.49 crores, which is slightly lower than the amount submitted by the ISP for true-up i.e., ₹1.80 crores.

3.6.2 For the purpose of true up of the depreciation for FY 2021-22 & FY 2022-23 (First Control Period), the Authority proposes to consider the useful life of assets and depreciation rates as per AERA Order No. 35/2017-18 relating to the 'Useful Life of Assets' and the depreciation proposed to be considered by the Authority for the true up is presented below:

**Table 10: Depreciation proposed by the Authority for the true up of the FY 2021-22 and FY 2022-23 (First Control Period)**

(*₹ in crores)*

| SI. No. | Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| 1. | Buildings | 0.24 | 0.23 | **0.47** |
| 2. | Plant & Machinery | 0.13 | 0.13 | **0.26** |
| 3. | Furniture & Fixtures | 0.05 | 0.05 | **0.10** |
| 4. | Computers & Peripherals | 0.0016 | 0.00 | **0.0016** |
| 5. | Lab Equipment | 0.0033 | 0.0033 | **0.01** |

| Sl. No. | Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| 6. | Electrical Installations & Equipment | 0.19 | 0.19 | **0.39** |
| 7. | Office Equipment | 0.03 | 0.03 | **0.06** |
| 8. | Culverts & Drains | 0.04 | 0.04 | **0.08** |
| 9. | Tanks | 0.07 | 0.07 | **0.15** |
| 10. | Intangible Assets | 0.0004 | 0.0003 | **0.0007** |
| 11. | Land Improvement | 0.07 | 0.07 | **0.15** |
| 12. | Roads | 0.27 | 0.27 | **0.54** |
| | **Total** | **1.11** | **1.09** | **2.20** |

### 3.7 True up of Regulatory Asset Base (RAB) for the First Control Period (FY 2021-22 and FY 2022-23)

3.7.1 BKFFPL has submitted the Regulatory Asset Base (RAB) for the true up of the FY 2021-22 and FY 2022-23 of the First Control Period as per the table given below:

**Table 11: True up of RAB for the FY 2021-22 and FY 2022-23 of the First Control Period submitted by BKFFPL**

*(₹ in crores)*

| Sl. No. | Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| 1. | Opening RAB | 15.24 | 14.33 | |
| 2. | Additions | 0.00 | 0.01 | **0.01** |
| 3. | Deletions | 0.00 | 0.00 | **0.00** |
| 4. | Depreciation | 0.90 | 0.90 | **1.80** |
| 5. | **Closing RAB** | 14.33 | 13.44 | |
| 6. | **Average RAB** | **14.78** | **13.88** | |

### 3.8 Authority's Examination of the True up of Regulatory Asset Base (RAB) for the First Control Period (FY 2021-22 and FY 2022-23)

3.8.1 After making adjustments in the depreciation in accordance with AERA Order No.35/2017-18, read with Amendment No. 01, the Authority has re-computed the RAB, as presented in the table given below:

**Table 12: RAB proposed to be considered by the Authority for true up of First Control Period (FY 2021-22 and FY 2022-23)**

*(₹ in crores)*

| SI. No. | Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| 1. | Opening RAB | 15.23 | 14.13 | |
| 2. | Additions | - | 0.01 | **0.01** |
| 3. | Deletions | - | - | **-** |
| 4. | Depreciation | 1.11 | 1.09 | **2.20** |
| 5. | **Closing RAB** | **14.13** | **13.04** | |
| 6. | **Average RAB** | **14.68** | **13.58** | |

### 3.9 True up of Fair Rate of Return (FRoR) for the First Control Period (FY 2021-22 and FY 2022-23)

3.9.1 The Authority notes that BKFFPL in its MYTP submission has claimed a Fair Rate of Return (FRoR) @11.70% on the RAB for the true up of the FY 2021-22 and FY 2022-23. BKFFPL, in its submission has considered Cost of Debt as 7.31% for the FY 2021-22, 8.68% for the FY 2022-23 and Cost of Equity as 16% and has computed an average FRoR for the two tariff years at 11.70% which is depicted in the following table:

**Table 13: True up of FRoR for the First Control Period (FY 2021-22 and FY 2022-23) submitted by BKFFPL**

*(₹ in crores)*

| SI. No. | Particulars | Reference | FY 2021-22 | FY 2022-23 |
|---|---|---|---|---|
| 1. | Debt | A | 10.63 | 10.24 |
| 2. | Equity | B | 9.00 | 9.00 |
| 3. | Debt + Equity | C = A+B | 19.63 | 19.24 |
| 4. | Cost of Debt | D | 7.31% | 8.68% |
| 5. | Cost of Equity | E | 16.00% | |
| 6. | Gearing | F=A/C | 54.16% | 53.22% |
| 7. | FRoR | G=D*F+E*(1-F) | 11.29% | 12.11% |
| 8. | **Average FRoR** | | **11.70%** | |

### 3.10 Authority's Examination regarding True up of Fair Rate of Return (FRoR) for the First Control Period (FY 2021-22 and FY 2022-23)

3.10.1 The Authority notes from BKFFPL's submission that CAPEX on Fuel Farm & ITP Facilities at Kannur International Airport has been funded through a mix of Debt and Equity.

3.10.2 The Authority observes that the ISP has considered Working Capital loan as a part of long-term Debt for the computation of FRoR, however, the working capital is utilized for short term cash management for day-to-day operations. Accordingly, it will not be considered as a component of long-term debt, for the purpose of computation of the Fair Rate of Return.

Therefore, the interest charged by the bank on the ECLGS (working capital) loan shall be considered under the Operating Expenses of the ISP.

3.10.3 As regard to true up of the Cost of Equity, the Authority proposes to consider Cost of Equity @14% as decided by the Authority in the Tariff Order no. 44/2021-22 for the First Control Period.

3.10.4 Based on the above, Authority proposes to consider true up of FRoR in respect of BKFFPL, for the FY 2021-22 and FY 2022-23 (First Control Period) as per the table given below:

**Table 14: True up of the FRoR proposed to be considered by the Authority for the FY 2021-22 and FY 2022-23 (First Control Period)**

*(₹ in crores)*

| Particulars | Reference | FY 2021-22 | FY 2022-23 |
|---|---|---|---|
| Opening Equity | A | 9.00 | 9.00 |
| Closing Equity | B | 9.00 | 9.00 |
| **Average Equity** | **C =Avg (A:B)** | **9.00** | **9.00** |
| Opening Debt | D | 8.95 | 8.95 |
| Closing Debt | E | 8.95 | 8.95 |
| **Average Debt** | **F = Avg (D:E)** | **8.95** | **8.95** |
| **Debt+ Equity** | **G = C+F** | **17.95** | **17.95** |
| Gearing (%) | H = F/G | 49.85% | 49.85% |
| Cost of Debt (%) | I | 7.14% | 8.66% |
| Cost of Equity (%) | J | 14.00% | 14.00% |
| Weighted Average Gearing | **K = sum(G*H)/ sum(G)** | **49.85%** | |
| Average Cost of Debt | L = avg (I) | 7.90% | |
| Average Cost of Equity | M = avg (J) | 14.00% | |
| **FRoR (%)** | **N = K*L+M*(1-K)** | **10.96%** | |

## 3.11 True up of Operation & Maintenance Expenses for the FY 2021-22 and FY 2022-23 of the First Control Period

3.11.1 BKFFPL has submitted the true up of the Operation & Maintenance expenses for the FY 2021-22 and FY 2022-23 of the First Control Period as per table given below:

**Table 15: Operation and Maintenance Expenses submitted by BKFFPL for the true up of the FY 2021-22 and FY 2022-23 of the First Control Period**

*(₹ in crores)*

| Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|
| Salaries | 0.18 | 0.15 | **0.33** |
| Land Lease Rent | 1.37 | 1.49 | **2.86** |
| Insurance | 0.03 | 0.02 | **0.05** |
| Power Charges | 0.10 | 0.12 | **0.22** |
| Operator Charges to BPCL | 2.92 | 3.30 | **6.22** |
| Repair and Maintenance | 0.0001 | 0.0001 | **0.0002** |

| | | | |
|---|---|---|---|
| Other Expenses | 0.15 | 0.19 | **0.34** |
| **Total** | **4.75** | **5.28** | **10.03** |

3.11.2 The Operation & Maintenance Expenses approved by the Authority for the FY 2021-22 and FY 2022-23 in the Tariff Order for the First Control Period is presented in the Table below:

**Table 16: Operation and Maintenance Expenses approved by the Authority in the First Control Period**

*(₹ in crores)*

| Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|
| Salaries | 0.16 | 0.17 | **0.33** |
| Land Lease Rent | 1.37 | 1.49 | **2.86** |
| Insurance | 0.01 | 0.01 | **0.02** |
| Power Charges | 0.10 | 0.12 | **0.21** |
| Operator Charges to BPCL | 3.18 | 3.34 | **6.52** |
| Repair and Maintenance | 0.02 | 0.02 | **0.04** |
| Other Expenses | 0.41 | 0.43 | **0.83** |
| **Total** | **5.25** | **5.57** | **10.82** |

## 3.12 Authority's Examination on true up of Operation & Maintenance expenses for the FY 2021-22 and FY 2022-23 of the First Control Period

3.12.1 The Authority vide Order No.44/2021-22 approved Operation & Maintenance Expenses amounting to ₹ 10.82 crores. Further, it is observed that for the true up of the First Control Period (FY 2021-22 and FY 2022-23), out of ₹ 10.03 crores submitted by BKFFPL, a major portion i.e. ₹ 6.22 crores (62%) of O&M expenses are related to Operator Charges paid to BPCL and ₹ 2.86 crores (28.51%) for the land lease rent.

3.12.2 In response to AERA query seeking break-up of the Operator Charges to BPCL, the ISP vide email dated 15.05.2025 submitted the break up for the Operator Charges paid to BPCL and the same is presented in Table 36.

Considering that Operator Charges paid to BPCL were essential for day-to-day operations of FF & ITP services in a safe & efficient manner and charges proposed for true up for the FY 2021-22 and FY 2022-23 are as per the audited accounts, the Authority proposes to consider Operator Charges of ₹ 6.22 crores, as submitted by the ISP.

3.12.3 As regard to the ECLGS loan amounting to ₹ 1.80 crores, the Authority observes that the ISP has considered it as a part of long-term debt while computing the Fair Rate of Return (FRoR). In this regard, the Authority is of the view that the ECLGS Loan, amounting to ₹1.80 crores, is in the nature of a working capital facility and is distinct in purpose and character from the Term Loan. Accordingly, the interest charged by the bank on the ECLGS (working capital) loan is considered under the Operating Expenses, as the said loan is utilized for short term cash management for day-to-day operations, instead it being considered as a component of long-term debt, for the purpose of computation of the Fair Rate of Return.

3.12.4 The true-up of O&M expenses for FY 2021-22 and FY 2022-23 proposed to be considered by the Authority is presented in the table given below:

**Table 17: True up of the Operation and Maintenance Expenses proposed to be considered by the Authority for the FY 2021-22 and FY 2022-23 (First Control Period)**

*(₹ in crores)*

| Particulars | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|
| Salaries | 0.18 | 0.15 | **0.33** |
| Land Lease Rent | 1.37 | 1.49 | **2.86** |
| Insurance | 0.03 | 0.02 | **0.05** |
| Power Charges | 0.10 | 0.12 | **0.22** |
| Operator Charges to BPCL | 2.92 | 3.30 | **6.22** |
| Repair and Maintenance | 0.0001 | 0.0001 | **0.0002** |
| Other Expenses | 0.154 | 0.193 | **0.35** |
| Interest on Working Capital | 0.15 | 0.14 | **0.29** |
| **Total** | **4.90** | **5.42** | **10.32** |

## 3.13 True up of Taxation for the FY 2021-22 and FY 2022-23 (First Control Period)

3.13.1 BKFFPL has submitted true up of taxation for the FY 2021-22 and FY 2022-23 as under:

**Table 18: True up of taxation for the FY 2021-22 and FY 2022-23 submitted by BKFFPL**

*(₹ in crores)*

| Particulars | Ref. | FY 2021-22 | FY 2022-23 |
|---|---|---|---|
| Earning Before Tax | A | -1.25 | 3.53 |
| Add: Book Depreciation | B | 0.90 | 0.90 |
| Less: IT Depreciation | C | 1.35 | 1.21 |
| **Adjusted Profit/ (Loss)** | **D = A + B – C** | **-1.69** | **3.22** |
| Opening Losses | E | -6.65 | -8.34 |
| Set Off | F | -1.69 | 3.22 |
| Accumulated Losses | G = E + F | -8.34 | -5.12 |
| **Taxable Income** | **H = D – F** | **-** | **-** |
| **Tax as per IT ACT** | **I = H * 25.17%** | **-** | **-** |

## 3.14 Authority's Examination of true up of Taxation for the FY 2021-22 and FY 2022-23 (First Control Period)

3.14.1 The Authority notes that there was nil taxable income of BKFFPL in respect of its Fuel Farm & ITP services at Kannur International Airport, as the ISP had incurred losses in the FY 2021-22 and FY 2022-23. The ISP, in its MYTP submission has carried forward the losses for the First Control Period amounting to ₹ 5.12 Crores to the first tariff year of the Second Control Period i.e., FY 2023-24. The Authority has recomputed the taxation for the FY 2021-22 and FY 2022-23 (First Control Period) and the same is given in the table below:

**Table 19: True up of Aeronautical Taxation proposed to be considered by the Authority for the FY 2021-22 and FY 2022-23 (First Control Period)**

*(₹ in crores)*

| Particulars | Ref. | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| Aeronautical Revenue *(Refer Table 3)* | A | 5.24 | 10.62 | **15.86** |
| Operating Expenditure *(Refer Table 17)* | B | 4.90 | 5.42 | **10.32** |
| Depreciation as per IT Act | C | 1.41 | 1.24 | **2.65** |
| **Profit/ (Loss) Before Tax** | **D = A-(B+C)** | **-1.07** | **3.96** | **2.89** |
| Set off of Prior Period Losses | E | -6.21* | -7.28 | - |
| **Taxable Income** | **F = D+E** | **-7.28** | **-3.32** | - |
| **Tax as per IT Act** | **G = F*25.17%** | - | - | - |

**As per Order No.44/ 2021-22.*

As the ISP has incurred losses in the FY 2021-22 and FY 2022-23 (First Control Period), the Authority proposes to consider nil tax for the above said period, as per the above table.

### 3.15 True up of Aggregate Revenue Requirement (ARR) for the FY 2021-22 and FY 2022-23 of the First Control Period

3.15.1 BKFFPL has submitted the true up of the ARR for the FY 2021-22 and FY 2022-23 (First Control Period) as per the table given below:

**Table 20: True up of Aggregate Revenue Requirement submitted by BKFFPL for the FY 2021-22 and FY 2022-23 of the First Control Period**

*(₹ in crores)*

| Particulars | Reference | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| Opening RAB | A | 15.24 | 14.33 | |
| Closing RAB | B | 14.33 | 13.44 | |
| **Average RAB** | **C = (A+B) /2** | **14.78** | **13.88** | |
| Fair Rate of Return (FRoR) | D | 11.70% | 11.70% | |
| **Return on RAB** | **E = C * D** | **1.73** | **1.62** | **3.35** |
| Depreciation | F | 0.90 | 0.90 | **1.80** |
| O&M Expenses | G | 4.75 | 5.28 | **10.03** |
| Taxation | H | - | - | **-** |
| Return on Security Deposit | I | 0.08 | 0.16 | **0.24** |
| Less: Other Income | J | -0.09 | -0.11 | **-0.20** |
| Under Recovery for FY 2019-20 & FY 2020-21 | K | 4.92 | - | |
| **Aggregate Revenue Requirement (ARR)** | **L = Sum (E: I) – J+K** | **12.30** | **7.85** | **20.15** |
| Actual Aero Revenue | M | 5.24 | 10.62 | **15.86** |
| **Under/ (Over) Recovery** | **N = L – M** | **7.06** | **-2.77** | **4.29** |
| Compounding Rate | O | 11.70% | 11.70% | |

| | | | | |
|---|---|---|---|---|
| Compounding Factor | P | 1.25 | 1.12 | |
| Compounding of ARR | Q = L * P | 15.34 | 8.77 | **24.11** |
| Compounding of Aero Revenue | R = M * P | 6.54 | 11.86 | **18.40** |
| Shortfall to be recouped | S = Q - R | 8.80 | -3.09 | **5.71** |
| **Shortfall carried forward considering compounding at 12.96%** | | **11.24** | **-3.94** | **7.30** |

3.15.2 BKFFPL has proposed to carry forward the under recovery of ARR pertaining to the First Control Period (FY 2021-22 and FY 2022-23) amounting to ₹ 7.30 crores to the Second Control Period.

### 3.16 Authority's examination of true up of Aggregate Revenue Requirement (ARR) for the true up of the FY 2021-22 and FY 2022-23 of the First Control Period

3.16.1 Based on the review of regulatory building blocks for the purpose of truing up as discussed in the previous sections and after considering other relevant factors, the Authority has re-computed the ARR in respect of FY 2021-22 and FY 2022-23, as shown in the table given below:

**Table 21: True up of Aggregate Revenue Requirement proposed by the Authority for the FY 2021-22 and FY 2022-23 of the First Control Period**

*(₹ in crores)*

| Particulars | Reference | FY 2021-22 | FY 2022-23 | Total |
|---|---|---|---|---|
| Opening RAB | A | 15.23 | 14.13 | |
| Closing RAB | B | 14.13 | 13.04 | |
| **Average RAB** *(refer Table 12)* | C | **14.68** | **13.58** | |
| Fair Rate of Return (FRoR) *(refer Table 14)* | D | 10.96% | 10.96% | |
| **Return on RAB** | E = C * D | **1.61** | **1.49** | **3.10** |
| Depreciation *(refer Table 10)* | F | 1.11 | 1.09 | **2.20** |
| O&M Expenses *(refer Table 17)* | G | 4.90 | 5.42 | **10.32** |
| Taxation *(refer Table 19)* | H | - | - | **-** |
| Return on Security Deposit @5% | I | 0.04 | 0.05 | **0.09** |
| Under Recovery **(FY 2019-20 & 2020-21)*** | J | 4.92 | - | **4.92** |
| Less: Other Income | K | 0.09 | 0.11 | **0.21** |
| **Aggregate Revenue Requirement (ARR)** | L = Sum (E:J) - K | **12.49** | **7.93** | **20.42** |
| Actual Aero Revenue | M | 5.24 | 10.62 | **15.86** |
| **Under/ (Over) Recovery** | N= L-M | **7.25** | **-2.69** | **4.56** |
| FRoR | O | 10.96% | 10.96% | |
| PV Factor | P | 1.23 | 1.11 | |
| **Compounding of ARR** | Q = L * P | 15.37 | 8.80 | **24.17** |
| **Compounding of Aero Revenue** | R = M * P | 6.45 | 11.78 | **18.23** |
| **Under/ (Over) Recovery in PV Terms** | S = Q-R | **8.92** | **-2.98** | **5.94** |

** Carry forward of ₹ 4.92 crores from the First Control Period to the Second Control Period as per Order No. 44/ 2021-22*

3.16.2 The Authority has determined the PV of Under Recovery, for FY 2021-22 and FY 2022-23 amounting to ₹ 5.94 crores, as on 31.03.2024, as against PV of Under Recovery claimed by the BKFFPL amounting to ₹ 7.30 crores. The major reasons of variance in the Under Recovery, as proposed by the Authority vis-à-vis the claim of BKFFPL, are as under:

i. Determination of FRoR by the Authority @10.96% as against 11.70% claimed by BKFFPL, resulting in reduction of Return on RAB amounting to ₹ 0.25 crore.

ii. Proposed 5% Return on Security Deposit in place of 16% Return considered by the BKFFPL, resulting in reduction of Return on Security Deposit by ₹ 0.15 crore.

3.16.3 Based on the calculations as per the above table, the Authority proposes to consider ARR for the true up of the FY 2021-22 and FY 2022-23 of the First Control Period amounting to ₹ 20.42 crores, whereas the actual revenue earned from Fuel Farm & ITP services during the same period amounted to ₹ 15.86 crores, thus resulting in an under recovery of ₹ 4.56 crores (₹ 5.94 crores in PV terms).

## 3.17 Authority's Proposals regarding true up of ARR for the FY 2021-22 and FY 2022-23 of the First Control Period

Based on the material before it and its analysis, the Authority with respect to true up of ARR for the FY 2021-22 and FY 2022-23 of the First Control Period proposes:

3.17.1 To consider Capital Additions as per Table 6.

3.17.2 To consider Aeronautical Depreciation as per Table 10.

3.17.3 To consider RAB as per Table 12.

3.17.4 To consider FRoR as per Table 14.

3.17.5 To consider the O&M Expenses as detailed in Table 17.

3.17.6 To consider Taxation as per Table 19.

3.17.7 To consider ARR and Under-Recovery as per Table 21 and to adjust this shortfall in the ARR of the Second Control Period.

# Second Control Period

# 4. FUEL THROUGHPUT (VOLUME) FOR THE SECOND CONTROL PERIOD

## 4.1 BKFFPL's submission regarding the projection of Fuel throughput for the Second Control Period for Kannur

4.1.1. BKFFPL has submitted the actual fuel throughput for the first tariff year (FY 2023-24) and second tariff year (FY 2024-25) and projections for the remaining tariff years of the Second Control Period, along with growth rates assumed for fuel throughput on Y-o-Y basis, as shown in the table given below:

**Table 22: Fuel Throughput Projections submitted by BKFFPL for the Second Control Period**

*(in KL)*

| Particular | FY 2023-24* | FY 2024-25* | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Fuel Throughput in KL | 35,839 | 47,532 | 55,800 | 58,590 | 61,520 | **2,59,281** |
| *Growth %* | - | *33%* | *17%* | *5%* | *5%* | |

**Actuals*

## 4.2 Authority's Examination regarding Fuel Throughput Projection for the Second Control Period

4.2.1 BKFFPL, as part of its original MYTP submission submitted the actual fuel throughput for the FY 2023-24 and projections for the remaining tariff years of the Second Control Period.

4.2.2 In response to AERA query regarding the actual Fuel Throughput Volumes for FY 2024-25, the ISP vide email dated 06.08.2025 submitted the revised traffic projections for the Second Control Period based on the actual fuel throughput volumes for the FY 2024-25.

4.2.3 Further, vide email dated 11.11.2025, the ISP submitted the revised traffic projections for the Control Period, considering the revised winter schedule announced by Air India for FY 2025-26. Accordingly, the updated traffic projections submitted by the ISP are as presented in the table below:

**Table 23: Revised Fuel Throughput projections submitted by BKFFPL for the Second Control Period**

| Particular | FY 2023-24* | FY 2024-25* | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Fuel Throughput in KL | 35,839 | 47,532 | 50,347 | 52,864 | 55,508 | **2,42,090** |
| *Growth %* | - | *33%* | *6%* | *5%* | *5%* | |

**Actuals*

4.2.4 The Authority proposes to consider the Fuel Throughput volumes for the Second Control Period, considering the actual fuel throughput for FY 2023-24 & FY 2024-25 and projection for FY 2025-26. The Authority has projected the fuel throughput volumes for the last two tariff years of the Second Control Period, considering the ATM growth rate as had been adopted in the Tariff Order for the Kannur Airport for the Second Control Period i.e., 8% p.a. The Fuel throughput volume proposed to be considered by the Authority for BKFFPL for its Second Control Period is presented in the table below:

**Table 24: Fuel Throughput proposed by the Authority for the Second Control Period**

*(in KL)*

| Particular | FY 2023-24* | FY 2024-25* | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Fuel Throughput in KL | 35,839 | 47,532 | 50,347 | 54,375 | 58,725 | **2,46,818** |
| *Growth %* | - | *33%* | *6%* | *8%* | *8%* | |

### 4.3 Authority's proposal regarding Fuel Throughput for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to the Fuel Throughput forecast for the Second Control Period:

4.3.1 To consider the Fuel Throughput Forecast for the Second Control Period in respect of BKFFPL, at Kannur International Airport as per Table 24.

4.3.2 To true up the Fuel Throughput in respect of the Second Control Period, based on actual Fuel Throughput, at the time of tariff determination for the Third Control Period.

# 5. CAPITAL EXPENDITURE, DEPRECIATION AND REGULATORY ASSET BASE (RAB) FOR THE SECOND CONTROL PERIOD

As per clause 9.2 of the CGF Guidelines, Regulatory Asset Base (RAB) shall be all fixed assets proposed by the Service Provider(s), after providing for such exclusions therefrom or inclusions therein as may be determined by the Authority. The assets that substantially provide services not related to or not normally provided as part of Regulated Service(s) may be excluded from the scope of RAB by the Authority, in its discretion.

## 5.1 BKFFPL's submission regarding CAPEX for the Second Control Period

5.1.1 BKFFPL, as part of its MYTP, submitted the actual CAPEX incurred for FY 2023-24 and FY 2024-25 and projections for the remaining Tariff Years of the Second Control Period (FY 2025-26 to FY 2027-28) as given in the table below:

**Table 25: Capital Expenditure submitted by BKFFPL for the Second Control Period**

*(₹ in crores)*

| Particulars | FY 2023-24* | FY 2024-25* | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Tanks | - | - | - | - | - | **0.00** |
| Buildings | - | - | 0.32 | - | - | **0.32** |
| Office Equipment | - | 0.0012 | 0.17 | - | - | **0.17** |
| Plant & Machinery | - | 0.001 | 0.17 | - | - | **0.17** |
| Computers & Peripherals | - | 0.01 | 0.05 | - | - | **0.06** |
| Electrical Installations & Equipment | - | 0.06 | 0.04 | - | - | **0.10** |
| Furniture & Fixtures | 0.0006 | - | 0.21 | - | - | **0.21** |
| **Total** | **0.0006** | **0.08** | **0.97** | **0.00** | **0.00** | **1.05** |

**Actuals*

## 5.2 Authority's Examination regarding CAPEX projection for the Second Control Period

5.2.1 The Authority notes that BKFFPL has submitted a CAPEX of ₹ 1.05 crores for the Second Control Period. Out of the total CAPEX of ₹ 1.05 crores proposed for the Control Period, 7.68% i.e. ₹ 0.08 crore has already been incurred in the first and second tariff year of the Control Period i.e. FY 2024-25 and rest of the CAPEX amounting to ₹ 0.97 crore is projected to be incurred in the FY 2025-26.

5.2.2 The CAPEX proposed by the ISP is majorly under the four major heads, namely, Buildings, Office Equipment, Plant & Machinery and Furniture & Fixtures amounting to ₹ 0.32 crore, ₹ 0.17 crore, ₹ 0.17 crore and ₹ 0.21 crore respectively.

5.2.3 The Authority observes that certain line items of the proposed CAPEX in the FY 2025-26 have been classified under incorrect asset classes. Accordingly, these line items have been reclassified under the appropriate asset classes, as presented in the table below:

**Table 26: Capital Expenditure proposed to be considered by the Authority for the Second Control Period**

*(₹ in crores)*

| Particulars | FY 2023-24 | FY 2024-25* | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Buildings | - | - | 0.32 | - | - | **0.32** |
| Office Equipment | - | 0.001 | 0.18 | - | - | **0.18** |
| Plant & Machinery | - | 0.001 | 0.15 | - | - | **0.15** |
| Computers & Peripherals | - | 0.01 | 0.09 | - | - | **0.10** |
| Electrical Installations & Equipment | - | 0.065 | 0.03 | - | - | **0.10** |
| Furniture & Fixtures | - | - | 0.20 | - | - | **0.20** |
| **Total** | **0.00** | **0.08** | **0.97** | **0.00** | **0.00** | **1.05** |

**Actuals*

5.2.4 Considering that the Fuel Farm & ITP services are integral to the airport operations and also taking into account the essentiality of the Capex incurred/ proposed by the BKFFPL for supporting the aeronautical operations at the Kannur International Airport, the Authority proposes to consider Capital Expenditure for the Second Control Period as per Table 26.

### 5.3 Depreciation for the Second Control Period

5.3.1 M/s BKFFPL has considered the Useful Life of Assets as per the table below.

**Table 27: Useful Life of Assets considered by BKFFPL for the Second Control Period**

| Particulars | Useful life | Depreciation % |
|---|---|---|
| Buildings | 26.74 | 3.74% |
| Computers & Peripherals | 3 | 33.33% |
| Computers & Peripherals - UPS System | 10 | 10.00% |
| Culverts & Drains | 24 | 4.17% |
| Dead Stock | - | - |
| Electrical Installations & Equipment | 10 | 10.00% |
| Electrical Installations & Equipment - Transformers, Panels, etc. | 26.74 | 3.74% |
| Furniture & Fixtures | 10 | 10.00% |
| Intangible Assets | 5 | 20.00% |
| Lab Equipment | 10 | 10.00% |
| Land Improvement | 26.74 | 3.74% |
| Office Equipment | 5 | 20.00% |
| Plant & Machinery | 15 | 6.67% |
| Plant & Machinery - ATF Collection vessel, sampling pit, etc. | 8 | 12.50% |
| Plant & Machinery - DG Set, Panel, Compressors, Filters, etc. | 26.74 | 3.74% |
| Roads | 10 | 10.00% |
| Tanks | 25 | 4.00% |

5.3.2 The depreciation projected by the BKFFPL for the Second Control Period has been presented in the table given below:

**Table 28: Depreciation projected by BKFFPL for the Second Control Period**

*(₹ in crores)*

| Particular | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Building | 0.23 | 0.21 | 0.22 | 0.22 | 0.22 | **1.11** |
| Computers & Peripherals | 0.00 | 0.00 | 0.01 | 0.02 | 0.02 | **0.05** |
| Culverts & Drains | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 | **0.21** |
| Electrical Installations & Equipment | 0.09 | 0.09 | 0.10 | 0.11 | 0.11 | **0.50** |
| Furniture & Fixtures | 0.03 | 0.03 | 0.05 | 0.07 | 0.07 | **0.24** |
| Intangible Assets | 0.00 | - | - | - | - | **0.00** |
| Lab Equipment | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | **0.03** |
| Land Improvement | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | **0.38** |
| Office Equipment | 0.02 | 0.00 | 0.02 | 0.03 | 0.03 | **0.10** |
| Plant & Machinery | 0.08 | 0.08 | 0.08 | 0.09 | 0.08 | **0.41** |
| Roads | 0.25 | 0.25 | 0.25 | 0.25 | 0.25 | **1.24** |
| Tanks | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | **0.35** |
| **Total** | **0.89** | **0.86** | **0.92** | **0.98** | **0.97** | **4.61** |

## 5.4 Authority's Examination on Depreciation for the Second Control Period

5.4.1 The Authority notes that the ISP in its MYTP submission has considered Useful Life of Assets for some of the assets different from that provided in the AERA Order No. 35/2017-18 dated 12th January 2018, read with Amendment No. 01 to Order No. 35/2017-18, regarding the 'Useful Life of Airport Assets' for computing the depreciation for the Second Control Period.

5.4.2 The Authority in accordance with the useful life & depreciation rates of assets as provided in the AERA Order No. 35/2017-18 has recomputed the Depreciation for relevant asset categories for which ISP had considered different useful life. The depreciation proposed to be considered by the Authority for the Second Control Period is presented in the table given below:

**Table 29: Depreciation proposed to be considered by the Authority for the Second Control Period**

*(₹ in crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Buildings | 0.31 | 0.31 | 0.32 | 0.32 | 0.32 | **1.58** |
| Plant & Machinery | 0.13 | 0.13 | 0.14 | 0.14 | 0.14 | **0.69** |
| Furniture & Fixtures | 0.05 | 0.05 | 0.02 | 0.03 | 0.03 | **0.17** |
| Computers & Peripherals | 0.00 | 0.00 | 0.01 | 0.03 | 0.02 | **0.06** |
| Electrical Installations & Equipment | 0.19 | 0.20 | 0.20 | 0.21 | 0.21 | **1.01** |
| Office Equipment | 0.00 | 0.00 | 0.02 | 0.03 | 0.03 | **0.09** |
| Tanks | 0.07 | 0.07 | 0.07 | 0.07 | 0.07 | **0.37** |
| Roads | 0.27 | 0.27 | 0.27 | 0.27 | 0.27 | **1.36** |
| **Total** | **1.03** | **1.04** | **1.05** | **1.10** | **1.10** | **5.32** |

## 5.5 Regulatory Asset Base (RAB)

5.5.1 The RAB submitted by M/s BKFFPL for the Second Control Period has been presented in the table below:

**Table 30: Regulatory Asset Base (RAB) submitted by BKFFPL for the Second Control Period**

*(₹ in crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Opening RAB | 13.44 | 12.55 | 11.77 | 11.82 | 10.84 | |
| Additions | 0.00 | 0.08 | 0.97 | 0.00 | 0.00 | **1.05** |
| Deletions | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Depreciation | 0.89 | 0.86 | 0.92 | 0.98 | 0.97 | **4.61** |
| Closing RAB | 12.55 | 11.77 | 11.82 | 10.84 | 9.87 | |
| **Average RAB** | **13.00** | **12.16** | **11.80** | **11.33** | **10.36** | |

## 5.6 Authority's Examination on Regulatory Asset Base (RAB) for the Second Control Period

5.6.1 Considering the Capex Additions and Depreciation as per Table 26 & Table 29 respectively, the Authority proposes to consider RAB & Average RAB for BKFFPL, in respect of its Second Control Period, as shown in the table given below:

**Table 31: Regulatory Asset Base (RAB) proposed by the Authority for the Second Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|---|
| Opening RAB (A) | Table 12 | 13.04 | 12.01 | 11.05 | 10.97 | 9.86 | |
| Additions (B) | Table 26 | 0.00 | 0.08 | 0.97 | 0.00 | 0.00 | **1.05** |
| Deletion (C) | - | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Depreciation (D) | Table 29 | 1.03 | 1.04 | 1.05 | 1.10 | 1.10 | **5.32** |
| Closing RAB (E) = (A+B-C-D) | | 12.01 | 11.05 | 10.97 | 9.86 | 8.76 | |
| **Average RAB (G) = (A+E/2)** | | **12.53** | **11.53** | **11.01** | **10.41** | **9.31** | |

## 5.7 Authority's Proposals regarding RAB for the Second Control Period

Based on the material before it and its analysis, the Authority with respect to Capex, Depreciation and RAB for the Second Control Period proposes:

5.7.1 To consider Capital Additions to RAB as per the Table 26.

5.7.2 To consider Depreciation as per Table 29.

5.7.3 To true up the Capital Expenditure based on actuals, at the time of determination of tariff for Third Control Period, subject to cost efficiency and reasonableness of capex incurred.

5.7.4 To consider Average RAB as per Table 31.

5.7.5 To true up the RAB and Average RAB considering the actual figures, at the time of tariff determination for Third Control Period.

# 6. FAIR RATE OF RETURN (FRoR) FOR THE SECOND CONTROL PERIOD

## 6.1 BKFFPL's Submission on Fair Return of Return (FRoR) for the Second Control Period

6.1.1. BKFFPL has proposed an average Fair Rate of return (FRoR) @12.99% for the FY 2023-24 and FY 2024-25 and 15.31% for the remaining tariff years of the Second Control Period i.e. FY 2025-26 to FY 2027-28. ISP, in its submission considered Cost of Equity (CoE) as 16% for the entire Second Control Period and the Cost of Debt (CoD) @ 9.96% fir FY 2023-24 & 8.52% for FY 2024-25. Based on the same, Fair Rate of Return (FRoR) proposed by the ISP for the Second Control Period is depicted in the table below:

**Table 32: FRoR submitted by BKFFPL for the Second Control Period**

*(₹ in crores)*

| Particulars | Reference | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
|---|---|---|---|---|---|---|
| Opening Equity | A | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| Closing Equity | B | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| **Average Equity** | **C =Avg (A:B)** | **9.00** | **9.00** | **9.00** | **9.00** | **9.00** |
| Opening Debt | D | 9.96 | 8.88 | 2.68 | 0.00 | 0.00 |
| Closing Debt | E | 8.88 | 2.68 | 0.00 | 0.00 | 0.00 |
| **Average Debt** | **F = Avg (D:E)** | **9.42** | **5.78** | **1.34** | **0.00** | **0.00** |
| Gearing (%) | G = F/(C+F) | 51.14% | 39.10% | 12.95% | 0.00% | 0.00% |
| Cost of Debt (%) | H | 9.96% | 8.52% | 0.00% | 0.00% | 0.00% |
| Cost of Equity (%) | I | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% |
| **FRoR (%)** | **J = H*G+I*(1-G)** | **12.91%** | **13.08%** | **13.93%** | **16.00%** | **16.00%** |
| **Average FRoR (%)** | **K** | **12.99%** | | **15.31%** | | |

## 6.2 Authority's Examination of Fair Rate of Return (FRoR) for the Second Control Period

6.2.1. The Authority notes that BKFFPL has availed debt of ₹10.75 crores mainly to finance the Capital Expenditure for the First Control Period.

6.2.2. For the computation of FRoR, BKFFPL has considered Cost of Equity @16% for the entire Second Control Period and Cost of Debt @9.96% for the FY 2023-24 and 8.52% for the FY 2024-25, while assuming a nil Debt for the remaining tariff years of the Second Control Period. Based on these assumptions, the ISP has proposed a FRoR for the Second Control Period @12.99% for the first two tariff years (FY 2023-24 & FY 2024-25) and 15.31% for the remaining tariff years (FY 2025-26, FY 2026-27 and FY 2027-28).

6.2.3. The Authority notes that out of the loan amount of ₹ 10.75 crores, ₹ 8.95 crores pertain to the Term Loan, while ₹ 1.80 crores relate to the ECLGS Loan (i.e. working capital loan). The Authority is of the view that the ECLGS Loan, amounting to ₹ 1.80 crores, is in the nature of a working capital facility and is distinct in purpose and character from the Term Loan. Accordingly, the interest charged by the bank on the ECLGS (working capital) loan is considered under the Operating Expenses and not as a component of long-term debt for the purpose of computation of the Fair Rate of Return, as the said loan is utilized for short-term cash management related to day-to-day operations.

6.2.4. Further, as per Authority, the fuel farm Operations are basically the sub-set of the Airport Operator's functions and the Authority endeavours to balance the interest of all airport users and service providers, just as it does in case of the airport operators.

6.2.5. The Authority proposes to consider the Cost of Equity for BKFFPL @15.18%, as being considered by AERA for Airports, i.e., the average Cost of Equity for airports based on the independent studies commissioned by AERA for the evaluation of cost of capital separately, for PPP Airport, namely DIAL, MIAL, GHIAL, BIAL and CIAL, through a premier institute, namely IIM Bangalore.

6.2.6. The above independent study reports have used the Capital Asset Pricing Model (CAPM) and a notional gearing (Debt: Equity) ratio of 48:52 to determine the levered Equity beta and accordingly, derive the Cost of equity. It applies a methodology that factors in sovereign and business risks through components like the risk-free rate and business volatility, establishing a fair cost of equity within the FRoR calculation. This provides a relevant benchmark for estimating BKFFPL's cost of equity in the Second Control Period.

6.2.7. For the purpose of application of notional debt-equity ratio indicated above, the Authority proposes to consider the actual Cost of Debt for the FY 2023-24 & FY 2025-26 and for the remaining years SBI's MCLR @8.70% (as on 15$^{th}$ December 2025). The Authority proposes to consider the Cost of Equity @15.18% for all the tariff years of the Second Control Period.

6.2.8. In order to encourage adoption of efficient capital structure by the ISPs and to keep the Debt component at reasonable level, the Authority proposes to true-up CoD (for the purpose of true up of FRoR for the Second Control Period) at the time of tariff determination of Third Control Period, considering actual CoD or SBI's average MCLR of 1 year tenure, whichever is lower.

6.2.9. Based on the above, the Authority proposes to consider FRoR in respect of BKFFPL for the Second Control Period as per table given below:

**Table 33: FRoR proposed to be considered by the Authority for the Second Control Period**

*(₹ in crores)*

| Particulars | Reference | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 |
|---|---|---|---|---|---|---|
| Opening Equity | A | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| Closing Equity | B | 9.00 | 9.00 | 9.00 | 9.00 | 9.00 |
| **Average Equity** | **C =Avg (A:B)** | **9.00** | **9.00** | **9.00** | **9.00** | **9.00** |
| Opening Debt | D | 8.95 | 8.48 | 2.68 | 0.00 | 0.00 |
| Closing Debt | E | 8.48 | 2.68 | 0.00 | 0.00 | 0.00 |
| **Average Debt** | **F = Avg (D:E)** | **8.71** | **5.58** | **1.34** | **0.00** | **0.00** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Debt + Equity** | **G = C+F** | **17.71** | **14.58** | **10.34** | **9.00** | **9.00** |
| Cost of Debt (%) | **H** | **9.96** | **8.52** | **8.52** | **8.70** | **8.70** |
| **Weighted Average Cost of Debt (%)** | **I** | **9.34%** | | | | |
| **Cost of Equity (%)** | **J** | **15.18%** | | | | |
| Normative Gearing Ratio | K | 48:52 | | | | |
| **FRoR (%)** | **L = I*K+ (1-K) J** | **12.38%** | | | | |

In view of the above, Authority proposes to consider FRoR for the Second Control Period @12.38% as computed table above.

### 6.3 Authority's Proposals regarding FRoR for the Second Control Period

Based on the material before it and its analysis, the Authority with respect to FRoR for the Second Control Period proposes:

6.3.1 To consider FRoR as per Table 33.

6.3.2 To true-up Cost of Debt, (for the purpose of truing up of FRoR) for the Second Control Period, at the time of tariff determination of Third Control Period, considering actual CoD or SBI's average MCLR of 1 year tenure, whichever is lower.

## 7. OPERATION AND MAINTENANCE (O&M) EXPENDITURE FOR THE SECOND CONTROL PERIOD

### 7.1 BKFFPL's submission regarding Operation and Maintenance (O&M) Expenditure for the Second Control Period

7.1.1 Operation and Maintenance (O&M) Expenditure submitted by BKFFPL for the Second Control Period is broadly grouped into the following heads of expenses:

- Salaries
- Land Lease Rent
- Insurance
- Operator Charges to BPCL
- Repairs and Maintenance Expenses
- Other Expenses

7.1.2 Operating & Maintenance expenses submitted by BKFFPL for Kannur International Airport in respect of the Second Control Period is presented below:

**Table 34: Operation and Maintenance Expenses projected by BKFFPL for the Second Control Period**

*(₹ in crores)*

| Particulars | FY 2023-24* | FY 2024-25* | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Salaries | 0.09 | 0.09 | 0.13 | 0.14 | 0.16 | **0.61** |
| Land Lease Rent | 1.63 | 1.77 | 1.93 | 2.11 | 2.30 | **9.74** |
| Insurance | 0.02 | 0.01 | 0.01 | 0.01 | 0.02 | **0.07** |
| Utility Charges | 0.13 | 0.13 | 0.14 | 0.16 | 0.17 | **0.74** |
| Operator Charges to BPCL | 3.15 | 3.58 | 5.49 | 6.25 | 7.46 | **25.93** |
| Repair and Maintenance | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** |
| Other Expenses | 0.14 | 0.20 | 0.31 | 0.33 | 0.35 | **1.34** |
| **Total** | **5.16** | **5.79** | **8.02** | **9.01** | **10.46** | **38.44** |

**Actuals*

### 7.2 Authority's Examination regarding Operating & Maintenance (O&M) Expenditure for the Second Control Period

7.2.1 The Authority notes that out of the total OPEX of ₹ 38.44 crores projected for the Second Control Period, Operator Charges payable to BPCL accounts for 67%, land lease rent contributes to 25% of the total expenses. Further, it is noted that O&M Expenditure projected for the Second Control Period by BKFFPL includes actual expenses for the FY 2023-24 and FY 2024-25 (first two tariff years of the Control Period). The submission made by BKFFPL in respect of the major components of O&M Expenses, including Y-o-Y increase in O&M Expenses considered by the ISP, for the Second Control Period, have been analyzed by the Authority in the following section:

**i. Salaries:**

7.2.2 It is noted that BKFFPL has submitted a total of ₹ 0.61 crore towards salaries for the Second Control Period. Further, from FY 2025-26 onward, the ISP has proposed a need for one more regular employee on its payroll, resulting in a 42.40% increase in the salary amount (one time increase plus 10% Y-o-Y increase). Subsequently, the Authority sought clarification from the ISP regarding the proposed additional employee. The ISP vide email dated 15.05.2025 submitted that *"During FY 2023–24, the company had two employees — an Accounts Officer and a Company Secretary — on its payroll until July 2024. From August 2024 onwards, only the Accounts Officer remained. In FY 2024–25, BKFFPL continued with a single employee (Accounts Officer) on its payroll for the full year, resulting in a reduction in overall employee cost for the period.*

*For FY 2025–26, the company has projected the need for an additional employee in anticipation of increased operational activity and heightened statutory compliance requirements. As operations scale up, the company is expected to fall under a broader regulatory framework, necessitating enhanced oversight and compliance measures. The additional personnel will also be responsible for supervising day-to-day activities, including management of contract staff (BSSPL)."*

*"Furthermore, the company has planned several CAPEX initiatives, which will involve the issuance of multiple tenders. The associated documentation and process oversight can be more effectively managed with the support of the proposed new hire."*

7.2.3 Taking into account the growth in traffic volume and other relevant factors highlighted by the ISP in its above submission, the Authority proposes to consider the one-time increase as proposed by the ISP for FY 2025-26, however, the Authority proposes to consider a Y-o-Y increase of 6% as against 10% proposed by the ISP.

The salaries proposed by the Authority for the Second Control Period are is presented in the table below:

**Table 35: Salaries proposed by the Authority for the Second Control Period**

*(₹ in Crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| As submitted by BKFFPL (A) | 0.09 | 0.09 | 0.13 | 0.14 | 0.16 | **0.61** |
| As proposed by the Authority (B) | 0.09 | 0.09 | 0.12 | 0.13 | 0.14 | **0.58** |
| **Variance (B-A)** | **-** | **-** | **(0.01)** | **(0.01)** | **(0.02)** | **(0.03)** |

**ii. Operator Charges to BPCL:**

7.2.4 The Authority observes that the Operator Charges constitute a major portion of the total Operation and Maintenance Expenses for the Control Period i.e., 67.46%. Therefore, the Authority decided to have a detailed examination of Operator Charges and had asked the ISP to submit the break-up of the Operator Charges.

The ISP, vide email dated 11.11.2025, provided the requisite details, and the same is presented in the table below:

**Table 36: Break-up of Operator Charges submitted by the ISP for the Second Control Period**

*(₹ in Crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Employee Cost | 0.49 | 0.49 | 0.76 | 0.84 | 0.92 | **3.51** |
| Personnel cost - Third Party | 1.09 | 1.38 | 2.05 | 2.42 | 3.05 | **9.99** |
| Repairs & Maintenance | 0.46 | 0.53 | 0.80 | 0.97 | 1.30 | **4.06** |
| Refueller - Depreciation - Bowesers etc. | 0.33 | 0.43 | 0.61 | 0.61 | 0.54 | **2.52** |
| Additional Depreciation | - | 0.14 | - | - | - | **0.14** |
| Safety/ Security Expenses | 0.22 | 0.20 | 0.22 | 0.24 | 0.26 | **1.14** |
| Power & Fuel | 0.21 | 0.21 | 0.29 | 0.31 | 0.36 | **1.38** |
| Rates & Taxes | 0.06 | 0.06 | 0.07 | 0.07 | 0.07 | **0.33** |
| Travelling and conveyance | 0.04 | 0.04 | 0.05 | 0.05 | 0.05 | **0.23** |
| Training | - | - | - | - | - | **-** |
| Legal/ Professional fee | 0.01 | 0.03 | 0.03 | 0.04 | 0.04 | **0.15** |
| Insurance | 0.02 | 0.04 | 0.05 | 0.05 | 0.05 | **0.22** |
| Other Expenditure | 0.00 | 0.01 | 0.01 | 0.01 | 0.01 | **0.05** |
| Communication/ Postal Expenses | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | **0.06** |
| Stores & Spares | 0.00 | 0.04 | 0.04 | 0.04 | 0.04 | **0.16** |
| Printing | 0.01 | 0.01 | 0.01 | 0.01 | 0.01 | **0.04** |
| Meetings | 0.00 | - | - | - | - | **0.00** |
| Reavailment Credit (Input credit on costs) | -0.26 | -0.35 | -0.27 | -0.28 | -0.30 | **-1.46** |
| **Grand Total** | 2.70 | 3.26 | 4.73 | 5.39 | 6.43 | **22.51** |
| Operator Margin | 0.43 | 0.52 | 0.76 | 0.86 | 1.03 | **3.60** |
| **Total Actual Operator Charges** | 3.13 | 3.78 | 5.49 | 6.25 | 7.46 | **26.11** |
| **Add:** Expenses of Previous Year accounted in Current year | -0.12 | -0.14 | - | - | - | **-0.26** |
| Less: Debit Note of March.24 accounted in April 25 | - | 0.05 | - | - | - | **0.05** |
| **Less:** Expenses of current year accounted in next year | -0.14 | - | - | - | - | **-0.14** |
| **(Less)/Add:** Other adjustment | - | - | - | - | - | **-** |
| **Operator Charges charged as per the Audited Financial Statement** | **3.15** | **3.58** | **5.49** | **6.25** | **7.46** | **25.93** |

7.2.5 The Authority observes that for its day-to-day Fuel Farm operations, ISP pays operator charges to BPCL. The Major components under these charges include BPCL employee costs, outsourced manpower costs, repairs & maintenance expenses, power & fuel costs etc. It is further observed that the ISP in its submission has proposed an annual increase of approximately 50% for the FY 2025-26 over FY 2024-25 figures. However, the Authority proposes to limit this increase to 25% and Y-o-Y increase of 6% from FY 2026-27 onward, considering the general inflation, projected traffic growth etc.

7.2.6 The Operator Charges proposed by the Authority for the Second Control Period is presented in the table below:

**Table 37: Operator Charges proposed by the Authority for the Second Control Period**

*(₹ in Crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| As submitted by BKFFPL (A) | 3.15 | 3.58 | 5.49 | 6.25 | 7.46 | **25.93** |
| As proposed by the Authority (B) | 3.15 | 3.58 | 4.72 | 5.01 | 5.31 | **21.78** |
| **Variance (B-A)** | **-** | **-** | **(0.77)** | **(1.24)** | **(2.15)** | **(4.15)** |

**iii. <u>Other Expenses:</u>**

7.2.7 The Authority observes from the ISP's submission that major components under the head Other Expenses include Professional & Consultancy charges, Physical Board Meeting expenses, etc.

7.2.8 It is noted that the ISP included Interest on Income Tax under the other expenses for FY 2024-25. In this regard, the Authority is of the view that Interest on Income Tax is in the nature of penalty for delays/ defaults in tax payments/ tax compliances and same can't be allowed as a pass-through expense. Accordingly, for the purpose of determining Other Expenses for FY 2024-25, the Authority has excluded the Interest on Income Tax.

7.2.9 Further, the ISP has projected a Y-o-Y increase of 10% in certain expenses. The Authority finds this annual escalation in expenses on higher side, as it does not align with the traffic growth projected by the ISP. Accordingly, the Authority proposes to limit the Y-o-Y increase in other expenses to 5%.

**iv. <u>Insurance Expenses:</u>**

7.2.10 The Authority notes that BKFFPL has proposed an insurance expense amounting to ₹ 0.07 crore for the Second Control Period, which includes the actual expenses amounting to ₹ 0.03 crore for the FY 2023-24 and FY 2024-25. It is noted from the ISP's submission that insurance expenses consist of the premiums paid to insurance companies, in respect of insurance coverages taken at the corporate level and at local level.

Further, it is noted that as per the ISP, the insurance expenses for the control period are projected to increase by 15% Y-o-Y from FY 2025-26 (Third tariff year) onwards.

7.2.11 Considering that insurance cover for the Assets & Infrastructure is necessary for safeguarding the financial interests of the service provider, against loss & damage to the property etc. from natural disasters & other perils, the Authority proposes to consider insurance expenses for the FY 2023-24 and FY 2024-25 (first and second tariff year), which is as per the actuals submitted by the ISP. In respect of FY 2025-26 to FY 2027-28, Authority proposes to rationalize the Y-o-Y increase in insurance expenses to 6%, as against Y-o-Y 15% considered by the BKFFPL.

**v. <u>Land Lease Rent:</u>**

7.2.12 The Authority notes that as per the Land Lease Deed between Kannur International Airport Limited (KIAL) and BPCL Kannur Fuel Farm Limited (BKFFPL), an area of 25,000 sq. mts. has been granted for setting up a fuel farm storage and distribution of ATF on open access basis to the aircrafts and additional piece of land admeasuring 3,000 sq. mts. is allotted for parking of re-fuellers & other fueling equipment/ vehicles etc. As per the Concession Agreement, the Lessee has to pay lease rent at the rate of ₹ 400 per sqm per annum for the first year from the date of commencement of lease and an annual escalation of 9% is applicable.

7.2.13 It is observed that BKFFPL, in its MYTP, has considered land license fee of ₹ 9.74 crores for the Control Period. The Authority observes that the ISP has proposed a Y-o-Y increase of nearly 9% and same is as per the Land Lease deed. Therefore, the Authority proposes to consider the land lease rental as per the ISP's submission.

**vi. <u>Repairs & Maintenance Expenses:</u>**

7.2.14 The Authority notes that ISP has projected a nominal expenditure against Repair & Maintenance Expenses amounting to ₹ 45,000 for the Second Control Period, which includes actual expenses of ₹ 41,000 for the FY 2023-24 and FY 2024-25 (first two tariff years). Accordingly, the Authority proposes to consider the Repair & Maintenance expenses, as submitted by the ISP, as per Table 34.

**vii. <u>Utility Charges:</u>**

7.2.15 The Utility Charges proposed by the BKFFPL consist of Water Charges, Electricity Charges & Fuel Consumption etc. BKFFPL has considered ₹ 0.74 crores as utility expenses for the Second Control Period, which includes actual expenses amounting to ₹ 0.26 crore incurred for the FY 2023-24 and FY 2024-25 (first two tariff years).

7.2.16 BKFFPL has projected a 10% Y-o-Y increase in the utility expenditure for the remaining tariff years of the Second Control Period, considering anticipating market growth and inflation costs. However, the 10% Y-o-Y increase in the utility charges proposed by the ISP seems to be on higher side, therefore, the Authority, proposes to rationalize the Y-o-Y increase to 6% for the remaining years (FY 2025-26 to FY 2027-28) of the Control Period.

The Utility Expenses proposed to be considered by the Authority for the Second Control Period are as under:

**Table 38: Utility expenses proposed to be considered by the Authority for the Second Control Period**

*(₹ in crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| As submitted by BPCL (A) | 0.13 | 0.13 | 0.14 | 0.16 | 0.17 | **0.74** |
| As proposed by the Authority (B) | 0.13 | 0.13 | 0.14 | 0.15 | 0.16 | **0.70** |
| **Variance (B-A)** | **-** | **(0.01)** | **-** | **(0.01)** | **(0.01)** | **(0.04)** |

viii. **Interest on Working Capital:**

7.2.17 The Authority observes that the ISP has considered Working Capital loan amounting to ₹1.80 crores as a part of long-term debt, while computation of the Fair Rate of Return (FRoR). In this regard, the Authority is of the view that the ECLGS Loan, amounting to ₹ 1.80 crores, is in the nature of a working capital facility and is distinct in purpose and character from the Term Loan. Accordingly, the interest charged by the bank on the ECLGS (working capital) loan is being considered under the Operating Expenses and not as a component of long-term debt for the purpose of computation of the Fair Rate of Return, as the said loan is utilized for cash management for day-to-day operations.

7.2.18 Based on the analysis and rationalization of various components of Operation & Maintenance Expenditure as above, the total Operation and Maintenance (O&M) Expenditure proposed to be considered by the Authority for the Second Control Period is detailed in the table given below:

**Table 39: Operation and Maintenance (O&M) Expenditure proposed to be considered by the Authority for the Second Control Period**

*(₹ in crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Salaries | 0.09 | 0.09 | 0.12 | 0.13 | 0.14 | **0.58** |
| Land Lease Rent | 1.63 | 1.77 | 1.93 | 2.11 | 2.30 | **9.74** |
| Insurance | 0.02 | 0.01 | 0.01 | 0.01 | 0.01 | **0.07** |
| Utility Charges | 0.13 | 0.13 | 0.14 | 0.15 | 0.16 | **0.70** |
| Operator Charges to BPCL | 3.15 | 3.58 | 4.72 | 5.01 | 5.31 | **21.78** |
| Repair and Maintenance | 0.0040 | 0.0001 | 0.0001 | 0.0002 | 0.0002 | **0.0046** |
| Other Expenses | 0.14 | 0.18 | 0.31 | 0.32 | 0.34 | **1.29** |
| Interest on Working Capital | 0.09 | 0.03 | 0.00 | 0.00 | 0.00 | **0.13** |
| **Total** | **5.25** | **5.80** | **7.25** | **7.73** | **8.26** | **34.29** |

7.2.19 The reasons for variance in the O&M Expenses proposed by the Authority and as considered by the BKFFPL are as under:

i. Rationalization of Operator Charges to BPCL along with 6% Y-o-Y increase in place of 10% increase considered by the BKFFPL, resulting in reduction of Operator Charges by ₹ 4.15 crores.

ii. Proposed yearly increase of 6% on Utility Expenses in place of 10% increase considered by the BKFFPL, resulting in reduction of Utility Expenses by ₹ 0.04 crore.

## 7.3 Authority’s proposals regarding Operation & Maintenance Expenditure for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following regarding Operation & Maintenance Expenses for the Second Control Period:

7.3.1. To consider the Operation & Maintenance Expenditure as per Table 39.

7.3.2. To true up the Operation & Maintenance Expenditure of the Second Control Period at the time of tariff determination for the Third Control Period.

# 8. TAXATION FOR THE SECOND CONTROL PERIOD

## 8.1 BKFFPL's submission regarding Taxation for the Second Control Period

8.1.1 BKFFPL has submitted the computation of income tax based on the Profit Before Tax (PBT) which is arrived at after considering aeronautical revenues, O&M expenses and depreciation computed separately for the purpose of tax. The computation of income tax submitted by BKFFPL is as follows:

**Table 40: Taxation submitted by BKFFPL for the Second Control Period**

(*₹ in crores*)

| Particulars | Ref. | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|---|
| Earning Before Tax | A | 2.41 | 5.26 | 5.52 | 5.29 | 4.61 | **23.10** |
| Add: Book Depreciation | B | 0.89 | 0.86 | 0.92 | 0.98 | 0.97 | **4.61** |
| Less: IT Depreciation | C | 1.08 | 0.97 | 0.92 | 0.87 | 0.78 | **4.61** |
| **Adjusted Profit/ (Loss)** | **D = A + B – C** | 2.22 | 5.15 | 5.52 | 5.40 | 4.81 | **23.11** |
| Opening Losses | E | -5.12 | -2.90 | - | - | - | |
| Set Off | F | 2.22 | 2.90 | - | - | - | |
| Carry Forward of Accumulated Losses | G = E + F | **-2.90** | **-** | **-** | **-** | **-** | |
| **Taxable income** | **H = D – F** | **-** | **2.25** | **5.52** | **5.40** | **4.81** | **17.98** |
| **Tax as per IT ACT** | **I = H * 25.17%** | **-** | **0.57** | **1.39** | **1.36** | **1.21** | **4.53** |

## 8.2 Authority's Examination regarding Taxation projected for the Second Control Period

8.2.1. The Authority notes that BKFFPL has projected corporate tax for the Second Control Period after considering tax @ 25.17% on the Profit After Tax as per IT Act.

8.2.2. The Authority has re-computed the aeronautical tax based on the aeronautical revenues worked out as per its ARR computation proposed for the Second Control Period, as given in the chapter 9.

The following table summarizes the Aeronautical tax proposed by the Authority for the Second Control Period.

**Table 41: Aeronautical Tax proposed to be considered by the Authority for the Second Control Period**

(*₹ in crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 Up to 30.04.2026 | FY 2026-27 w.e.f. 01.05.2026 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | |
| Aeronautical Revenue **(A)** *(refer Table 47)* | 9.39 | 12.45 | 13.19 | 1.17 | 9.13 | 10.75 | **56.08** |
| **Expenses** | | | | | | | |
| Operating Expenses *(refer Table 39)* | 5.25 | 5.80 | 7.25 | 0.64 | 7.09 | 8.26 | **34.29** |
| Depreciation (As per Income Tax Act, 1961) | 1.10 | 0.98 | 0.94 | 0.07 | 0.82 | 0.78 | **4.68** |
| **Total Expenses (B)** | **6.35** | **6.78** | **8.18** | **0.71** | **7.91** | **9.04** | **38.97** |
| **Profit/Loss (C)=(A-B)** | **3.04** | **5.68** | **5.01** | **0.46** | **1.22** | **1.71** | **17.11** |
| **Set off Prior Period losses (D)** | (3.32) * | (0.28) | 0.00 | 0.00 | 0.00 | 0.00 | |
| **Carry Forward of Accumulated Losses (F) = (C+D)** | (0.28) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| **Profit/ (Loss) after Setoff of Prior Period losses (E)** | (0.28) | 5.39 | 5.01 | 0.46 | 1.22 | 1.71 | **13.79** |
| Tax Rate (F) | 25.17% | 25.17% | 25.17% | 25.17% | 25.17% | 25.17% | |
| **Aeronautical Tax (G)=(E*F)** | **0.00** | **1.36** | **1.26** | **0.12** | **0.31** | **0.43** | **3.47** |

**As per Table 19.*

## 8.3 Authority's proposals regarding Aeronautical Tax for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following with regard to Taxation for the Second Control Period:

8.3.1. To consider the Aeronautical Tax for the Second Control Period in respect of BKFFPL for Kannur International Airport as per Table 41.

8.3.2. To true up the Aeronautical Tax of the Second Control Period at the time of tariff determination for the Third Control Period.

# 9. AGGREGATE REVENUE REQUIREMENT FOR THE SECOND CONTROL PERIOD

## 9.1 BKFFPL's submission regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

9.1.1 BKFFPL submitted ARR for the Second Control Period as per its projections for the regulatory building blocks as given in the table below:

**Table 42: Aggregate Revenue Requirement submitted by BKFFPL for the Second Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|---|
| Average Regulatory Asset Base (RAB) | A | **13.00** | **12.16** | **11.80** | **11.33** | **10.36** | |
| Fair Rate of Return (FRoR) | B | 12.99% | 12.99% | 15.31% | 15.31% | 15.31% | |
| **Return on RAB** | **C = A * B** | **1.69** | **1.58** | **1.81** | **1.73** | **1.59** | **8.39** |
| O&M Expenses | D | 5.16 | 5.79 | 8.02 | 9.01 | 10.46 | **38.44** |
| Depreciation | E | 0.89 | 0.86 | 0.92 | 0.98 | 0.97 | **4.61** |
| Taxation | F | 0.00 | 0.57 | 1.39 | 1.36 | 1.21 | **4.53** |
| Return on Security Deposit | G | 0.18 | 0.18 | 0.18 | 0.18 | 0.18 | **0.90** |
| Other Income | H | -0.26 | -0.24 | -0.03 | -0.03 | -0.03 | **-0.60** |
| **Aggregate Revenue Requirement (ARR)** | **J = Sum (C: G) - H** | **7.65** | **8.74** | **12.28** | **13.23** | **14.37** | **56.27** |

9.1.2 BKFFPL, for the ARR computation in respect of the Second Control Period has considered actual figures for the first two tariff years i.e. FY 2023-24 & FY 2024-25 and projections for the remaining tariff years of the Control Period.

In addition to ARR, as per the above table, BKFFPL has submitted true-up for the FY 2021-22 and FY 2022-23 (First Control Period) amounting to ₹ 7.30 crores (refer Table 20).

## 9.2 Authority's examination regarding Aggregate Revenue Requirement (ARR) for the Second Control Period

9.2.1. The Authority has computed ARR for the Second Control Period after detailed review of each regulatory building block and considering AERA's proposals for various building blocks as discussed in the previous chapters. Apart from the regulatory building blocks, AERA has also considered the Return on Security Deposit separately, while computing ARR for the Second Control Period.

9.2.2. **Return on Security deposit (SD):** It is noted that as per the land lease agreement, BKFFPL paid ₹ 1.12 crores to Airport Operator (AO) as security deposit and has claimed 16% return on the Security deposit, in line with the return claimed on Cost of Equity.

The Authority is of the view that 16% return on security deposit claimed by BKFFPL is on the higher side, as no aeronautical purpose is served by the deposit of S.D with Airport Operator. However, in the process of submission of Security Deposit to AO, substantial sum of the ISP is getting blocked for significantly longer duration due to contractual arrangement between the ISP and the AO. In order to offset the erosion in the value of the funds locked in the form of SD due to the impact of annual general inflation, the Authority proposes to consider nominal interest on security deposit @ 5% per annum (as against 16% proposed by BKFFPL), which is consistent with the AERA's approach in this regard for the ISPs.

9.2.3. Based on the above, the Authority has proposed ARR for the Second Control Period as presented in the table given below.

**Table 43: Aggregate Revenue Requirement proposed by the Authority for the Second Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | | FY 2027-28 | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | Up to 30.04. 2026 | w.e.f. 01.05.2 026 | | |
| Average Regulatory Asset Base (RAB) *(refer Table 31)* | A | 12.53 | 11.53 | 11.01 | 0.86 | 9.56 | 9.31 | |
| Fair Rate of Return (FRoR) *(refer Table 33)* | B | 12.38% | 12.38% | 12.38% | 12.38% | 12.38% | 12.38% | |
| **Return on RAB** | **C = A * B** | 1.55 | 1.43 | 1.36 | 0.11 | 1.18 | 1.15 | **6.78** |
| O&M Expenses *(refer Table 39)* | D | 5.25 | 5.80 | 7.25 | 0.64 | 7.09 | 8.26 | **34.29** |
| Depreciation *(refer Table 29)* | E | 1.03 | 1.04 | 1.05 | 0.09 | 1.01 | 1.10 | **5.32** |
| Taxation *(refer Table 41)* | F | 0.00 | 1.36 | 1.26 | 0.12 | 0.31 | 0.43 | **3.47** |
| Under Recovery of FCP (FY 2021-22 & FY 2022-23) *(refer Table 21)* | G | 5.94 | - | - | - | - | - | **5.94** |
| Return on Security Deposit *(refer Para 9.2.2)* | H | 0.06 | 0.06 | 0.06 | 0.005 | 0.05 | 0.06 | **0.28** |
| Less: Other Income | I | 0.28 | 0.26 | 0.03 | 0.003 | 0.03 | 0.03 | **0.64** |
| **Aggregate Revenue** | **L= Sum (C: H)-I** | **13.55** | **9.42** | **10.95** | **0.95** | **9.62** | **10.97** | **55.45** |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Requirement (ARR)** | | | | | | | | |
| Discount factor *@12.38%* | M | 1.00 | 0.89 | 0.79 | 0.70 | 0.70 | 0.63 | |
| **PV of ARR** | **N=L*M** | **13.55** | **8.38** | **8.67** | **0.67** | **6.78** | **6.88** | **44.92** |
| Sum of PV of ARR | | **44.92** | | | | | | |

9.2.4. The Authority has computed the ARR for BKFFPL in respect of its Second Control Period at ₹ 55.45 crores (NPV ₹ 44.92 crores) as on 31.03.2024, as against ₹ 56.27 crores projected by the ISP. The major reasons of variance between ARR proposed by the Authority and as considered by the BKFFPL are as under:

i. Rationalization of O&M expenses like Salaries, Operator Charges to BPCL, Other Expenses, etc. amounting to ₹ 4.15 crores.
ii. Determination of FRoR by the Authority by considering Cost of Equity @ 15.18% as against 16.00% claimed by BKFPL, resulting in reduction of Return on RAB amounting to ₹ 1.16 crores.
iii. Proposed 5% interest on Security Deposit in place of 16% Return considered by the BKFFPL, resulting in reduction of Return on Security Deposit amounting to ₹ 0.62 crore.
iv. Reduction in taxation, due to rationalization of aeronautical revenue & expenses, based on the ARR proposed by the Authority.

**9.3 Authority's proposals regarding Aggregate Revenue Requirement (ARR) for the Second Control Period**

Based on the material before it and its analysis, the Authority proposes the following with regard to ARR for the Second Control Period:

9.3.1 To consider ARR in respect of BKFFPL for the Second Control Period as per Table 43.

9.3.2 To true up the ARR of the Second Control Period at the time of tariff determination for Third Control Period.

# 10. AERONAUTICAL REVENUE FOR THE SECOND CONTROL PERIOD

## 10.1 BKFFPL's submission on Aeronautical Revenue for the Second Control Period

10.1.1 As per BKFFPL submission, the projected Aeronautical Revenue for the Second Control Period is given in Table below:

**Table 44: Projected Aeronautical Revenue as per BKFFPL (from FF & ITP services) for Second Control Period**

*(₹ in crores)*

| Particulars | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 | FY 2027-28 | Total |
|---|---|---|---|---|---|---|
| Revenue from FF & ITP services | 9.39 | 12.45 | 14.55 | 15.28 | 16.04 | **67.72** |

10.1.2 The projected Aeronautical Revenue for the Second Control Period amounting to ₹ 67.72 crores by BKFFPL includes actual revenue i.e. ₹ 21.84 crores for the FY 2023-24 and FY 2024-25 (First 2 tariff years) of the Control Period.

## 10.2 Authority's Examination of Revenue Projected for the Second Control Period

10.2.1 The Authority notes that BKFFPL has projected Aeronautical revenue for the Second Control Period amounting to ₹ 67.72 crores, after considering the following tariff increase:

**Table 45: Tariff rates (FIF & ITP services) proposed by the BKFFPL for Second Control Period**

*(Amount in ₹)*

| Existing rate per KL | Proposed rate per KL w.e.f. (01.04.2025) |
|---|---|
| 2620.00 | 2608.04 |

10.2.2 It is noted that BKFFPL has sought decrease of 0.46% in total charges i.e. ₹ 2608.04/ KL (FIF & ITP charges), over the prevailing rate of total charges i.e. ₹ 2620/KL. The ISP in its proposal had considered implementation of revised tariff effective from 01.04.2025.

10.2.3 The Authority, based on its ARR computation for the Second Control Period (refer Table 43), proposes the following tariff in respect of FIF & ITP services.

**Table 46: FIC & ITP Charges proposed to be considered by the Authority for Second Control Period**

*(Rates in ₹/KL)*

| Particulars | Existing rate | FY 2026-27 | FY 2027-28 |
|---|---|---|---|
| Combined Charges (FIF & ITP Charges) | 2620 | 1830 | 1830 |
| *% Increase* | | *-30.15%* | - |

10.2.4 The Authority proposes to keep the charges in respect of services related to 'Aircraft Defueling' and 'Aircraft Refueling with Defueled Product' same as was approved by the Authority vide tariff Order No. 44/2021-22 dated 15.03.2022.

10.2.5 Based on the above proposed tariff, the Authority proposes to consider the total revenue from the Aeronautical Services for the Second Control Period as shown in the table given below:

**Table 47: Aeronautical Revenue proposed by the Authority (from FF & ITP services) for Second Control Period**

*(₹ in crores)*

| Particulars | Ref. | FY 2023-24 | FY 2024-25 | FY 2025-26 | FY 2026-27 |  | FY 2027-28 | Total |
|---|---|---|---|---|---|---|---|---|
|  |  |  |  |  | Up to 30.04. 2026 | w.e.f. 01.05.20 26 |  |  |
| **Aggregate Revenue Requirement (ARR)** *(Refer Table 43)* | **A** | 13.55 | 9.42 | 10.95 | 0.95 | 9.62 | 10.97 | **55.45** |
| Discount factor @12.38% | B | 1.00 | 0.89 | 0.79 | 0.70 | 0.70 | 0.63 |  |
| **PV of ARR** *(Refer Table 43)* | C=A*B | **13.55** | **8.38** | **8.67** | **0.67** | **6.78** | **6.88** | **44.92** |
| Current FIF Rate | D | 2620.00 | 2620.00 | 2620.00 | 2620.00 | 2620.00 | 2620.00 |  |
| Fuel volume *(Refer Table 24)* | E | 35839.00 | 47532.00 | 50347.00 | 4469.16 | 49905.60 | 58724.74 | **246817.50** |
| **FIF income at current Tariff** | F=D*E | **9.39** | **12.45** | **13.19** | **1.17** | **13.08** | **15.39** | **64.67** |
| Revised FIF rate after proposed Tariff increase *(Refer Table 46)* | G | 2620.00 | 2620.00 | 2620.00 | 2620.00 | 1830.00 | 1830.00 |  |
| Revised FIF income | H=E*G | **9.39** | **12.45** | **13.19** | **1.17** | **9.13** | **10.75** | **56.08** |
| NPV of revised FIF income | I=H*B | **9.39** | **11.08** | **10.44** | **0.83** | **6.43** | **6.74** | **44.92** |
| **Carried forward to next Control period** |  | **NIL** |  |  |  |  |  |  |

## 10.3 Authority's Proposals regarding Tariff and Projected Aeronautical Revenue for the Second Control Period

Based on the material before it and its analysis, the Authority proposes the following regarding Tariff and Aeronautical Revenue for the Second Control Period:

10.3.1 To consider the Tariff for aeronautical services (FIF & ITP Charges) in respect of BKFFPL for the Second Control Period as per Table 46.

10.3.2 To consider Aeronautical Revenue for BKFFPL in respect of the Second Control Period as per Table 47.

10.3.3 To consider true up of Aeronautical Revenue of the Second Control Period at the time of tariff determination for the Third Control Period.

# 11. SUMMARY OF AUTHORITY'S PROPOSALS

The below mentioned summary provides the Authority's proposals relating to relevant chapters regarding the tariff determination for the Second Control Period as reproduced below:

**Chapter 2: Methodology for tariff determination**

2.2.1 To adopt "Cost Plus Approach" on Single Till basis, for the Determination of Tariff in respect of the Fuel Farm & ITP Services, in respect of the Second Control Period (FY 2023-24 to FY 2027-28).

**Chapter 3: True Up for the FY 2021-22 and FY 2022-23 of the First Control Period**

3.17.1 To consider Capital Additions as per Table 6.
3.17.2 To consider Aeronautical Depreciation as per Table 10.
3.17.3 To consider RAB as per Table 12.
3.17.4 To consider FRoR as per Table 14.
3.17.5 To consider the O&M Expenses as detailed in Table 17.
3.17.6 To consider Taxation as per Table 19.
3.17.7 To consider ARR and Under-Recovery as per Table 21 and to adjust this shortfall in the ARR of the Second Control Period.

**Chapter 4: Fuel Throughput (Volume) for the Second Control Period**

4.3.1 To consider the Fuel Throughput Forecast for the Second Control Period in respect of BKFFPL, at Kannur International Airport as per Table 24.
4.3.2 To true up the Fuel Throughput in respect of the Second Control Period, based on actual Fuel Throughput, at the time of tariff determination for the Third Control Period.

**Chapter 5: Capital Expenditure, Depreciation and Regulatory Asset Base (RAB) for the Second Control Period**

5.7.1 To consider Capital Additions to RAB as per the Table 26.
5.7.2 To consider Depreciation as per Table 29.
5.7.3 To true up the Capital Expenditure based on actuals, at the time of determination of tariff for Third Control Period, subject to cost efficiency and reasonableness of capex incurred.
5.7.4 To consider Average RAB as per Table 31.
5.7.5 To true up the RAB and Average RAB considering the actual figures, at the time of tariff determination for Third Control Period.

**Chapter 6: Fair Rate of Return (FRoR) for the Second Control Period**

6.3.1 To consider FRoR as per Table 33.

6.3.2 To true-up Cost of Debt, (for the purpose of truing up of FRoR) for the Second Control Period, at the time of tariff determination of Third Control Period, considering actual CoD or SBI's average MCLR of 1 year tenure, whichever is lower.

**Chapter 7: Operation and Maintenance (O&M) Expenditure for the Second Control Period**

7.3.1. To consider the Operation & Maintenance Expenditure as per Table 39.

7.3.2. To true up the Operation & Maintenance Expenditure of the Second Control Period at the time of tariff determination for the Third Control Period.

**Chapter 8: Taxation for the Second Control Period**

8.3.1 To consider the Aeronautical Tax for the Second Control Period in respect of BKFFPL for Kannur International Airport as per Table 41.

8.3.2 To true up the Aeronautical Tax of the Second Control Period at the time of tariff determination for the Third Control Period.

**Chapter 9: Aggregate Revenue Requirement for the Second Control Period**

9.3.1 To consider ARR in respect of BKFFPL for the Second Control Period as per Table 43.

9.3.2 To true up the ARR of the Second Control Period at the time of tariff determination for Third Control Period.

**Chapter 10: Aeronautical Revenue for the Second Control Period**

10.3.1 To consider the Tariff for aeronautical services (FIF & ITP Charges) in respect of BKFFPL for the Second Control Period as per Table 46.

10.3.2 To consider Aeronautical Revenue for BKFFPL in respect of the Second Control Period as per Table 47.

10.3.3 To consider true up of Aeronautical Revenue of the Second Control Period at the time of tariff determination for the Third Control Period.

# 12. STAKEHOLDERS' CONSULTATION TIMELINE

12.1 In accordance with the provision of Section 13(4) of the AERA Act, 2008, the proposals contained in the Chapter 11 Summary of proposals read with the relevant discussion in the other chapters of the paper is hereby put forth for the Stakeholders' Consultation.

12.2 For removal of doubts, it is clarified that the contents of this consultation paper may not be construed as any Order or Direction by the Authority. The Authority shall pass an order, in the matter, only after considering the submissions of the stakeholders in response hereto and by making such decisions fully documented and explained in terms of the provisions of the Act.

12.3 The Authority welcomes written evidence-based feedback, comments and suggestions from stakeholders on the proposal made in Chapter 11 above, latest by 14/04/2026 at the following address.

**Secretary**

**Airports Economic Regulatory Authority of India (AERA),**
**3rd Floor, Udaan Bhawan**
**Safdarjung Airport,**
**New Delhi -110003**
**Tel: 011-24695048.**

**(Chairperson)**

*ANNEXURE - I*

# TARIFF PROPOSED BY AERA FOR THE SECOND CONTROL PERIOD IN RESPECT OF FIF & ITP SERVICES FOR BKFFPL AT KANNUR INTERNATIONAL AIRPORT

**Proposed Tariff for the Second Control Period will be effective from 01.05.2026**

(Amount in ₹/ *KL)*

| **Combined Rate [Fuel Infrastructure Fee + Into Plane Charges (Refueling)]** | | **Aircraft Defueling*** | **Refueling of Aircraft with Defueled Product*** | |
|---|---|---|---|---|
| **Up to 30.04.2026** | **w.e.f. 01.05.2026** | | **Within 06 Hours** | **Beyond 06 Hours** |
| 2620 | 1830 | 300 | 350 | 400 |

**Existing tariff for these services (prevailing as on 31.03.2023) proposed to be continued for remaining tariff years of the Second Control Period also.*

*Note: Tariff rates proposed herein above are ceiling rates excluding of taxes.*