



**COAL INDIA LIMITED**  
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Ref.No.CIL/C-4B/FSA/ 726

Dated: September 05, 2009.

To  
The CGM/GM(S&M)s,  
ECL/BCCL/CCL/WCL/SECL/MCL/NCL.  
The CGM, NEC, Margherita.

**Sub: Option for surrender of Imported Coal Supply.**

Dear Sir(s),

In the 24<sup>th</sup> meeting of CMDs held on 16<sup>th</sup> October 2008, it was decided that due to negative coal balance position vis-a-vis additional demand arising out of fructification of LOAs issued requiring execution of FSA, the new consumers executing FSA through LOA route would be entitled to get supplies up to 50% of their ACQ from domestic sources and the balance from imported coal subject to execution of a Letter of Acceptance. The above decision was communicated to the CGM/GM(S&M)s of all Subsidiary Coal Companies in the Monthly Co-ordination Meeting held on 21/10/2008, the minutes of which had since been circulated vide no. CIL/CMO/SO/47252/1249 dated 30/10/2008.

Since then Coal India Limited and its Subsidiaries have been receiving several requests / queries for giving option to surrender imported coal supply in terms of provisions in the Letter of Assurance and the Fuel Supply Agreement applicable for new consumers entering into FSA through LOA route.

The matter was discussed in the 24<sup>th</sup> FDs' Meet held on 30/4/2009 where it was decided that a mechanism should be evolved under which consumers are allowed the option to forego purchase of imported coal without being in default and without paying any penalty. Instead, the coal companies' obligations for such consumers shall be limited to supply of indigenous coal only on year to year basis. Concurrently in such cases the commitment guarantee shall also commensurately be reduced being applicable only for the fraction to be supplied from indigenous sources. Accordingly, the mechanism to surrender imported coal has been developed in the form of Option Letter for surrender of Imported Coal by the consumer. The same has been duly approved by the competent authority after legal vetting. A set of documents containing the format of Import Surrender Option is enclosed. Such option can be exercised by those new consumers falling under CPP, Cement, Sponge Iron & other Non-Power end-use consumers who enter into FSA through LOA route including those who have already executed FSA by signing the Letter of Acceptance.

Encl: As stated in eight pages.

Yours faithfully,  
*Amitabha Ray* 07/09/09  
(Amitabha Ray)  
Chief General Manager(S&M/QC).

- cc to:
1. Chairman, CIL, Kolkata.
  2. D(M), CIL, Kolkata.
  3. CMDs of ECL/BCCL/CCL/WCL/SECL/MCL/NCL.
  4. D(T), CIL, Kolkata.
  5. CGM(S&M-SO), CIL, Kolkata.
  6. CFM(S&M), CIL, Kolkata.
  7. CSM (Commercial), CIL, Kolkata.

### **Import surrender Option**

Preamble:

Coal India Ltd. and its subsidiaries have received several requests/ queries for surrender of imported coal supply provisions in the Letter of Assurance and the Fuel Supply Agreement applicable for new consumers entering into FSA through LoA route.

With this regard, it is informed that the Assured (as mentioned in the LOA) or the Purchaser (as mentioned in the FSA) can surrender the Imported Coal supply provision by submitting a signed copy of this option Letter to the Assurer (as mentioned in the LOA) or the Seller (as mentioned in the FSA).

Once the Assured / Purchaser has exercised the option to surrender the Imported Coal supply by the Seller, the Seller shall reset the Quantity as per clause 1.1 of LoA / ACQ as per clause 4.1 of FSA depending on whether the surrender option is exercised after issuance of LoA or after signing of FSA, as the case may be and reduce it by 50% of the original quantity. Such revised Qty shall be termed as Effective LoA Qty. in case of LoA and ACQ<sub>Effective</sub> in case of FSA

### **Option Letter Format**

The Assured/Purchaser hereby declares that it does hereby exercise the option to surrender the Imported Coal Supply by the Assurer/Seller and agrees to accept supply of domestic coal only offered by the Seller under the Fuel Supply Agreement and based on changed condition and provisions arising out of this Option. In the circumstances, we (the Assured/Purchaser) accept that the Letter of Assurance (LOA)

/ the Fuel Supply Agreement (FSA) already issued/executed as the case may be shall stand amended to the extent necessary and as indicated below.

**Amendment to the Letter of Assurance (LOA) :**

In the event the Assured opts to surrender the imported coal supply provisions, the following clauses in the LOA shall stand added/amended :-

**[Added]**

A) **1.1.a.** The Assured can opt to surrender the Imported coal supply option specified in LOA by signing and submitting a copy of the Option Letter. In the event, the Assured opts to surrender the imported coal supply and agrees to accept supply of domestic coal only offered by the Assurer under the Fuel Supply Agreement, then the Assurer has the right to reduce the quantity mentioned in the clause 1.1. and to revise the same. The revised quantity shall be 50% of the original quantity mentioned in the clause 1.1., which shall be termed as **Effective LoA Quantity**. Such Option, once exercised can't be withdrawn till completion of one year after the regular supply of coal under the FSA has commenced beyond the Build Up Period as defined at clause 2.10 of the FSA..

**[Added]**

B) **3.4.3** In the event the Assured surrenders the option of the imported coal, within the notice period for submission of Commitment Guarantee(CG) before issuance of LoA or, after issuance of LOA by providing the signed copy of the Option Letter, then the Commitment Guarantee (CG) shall be revised accordingly based on the formula provided herein below:



$CG_{\text{Revised}} = 10\%$  of the base price of Grade [Grade as mentioned in the LOA] Run-of-Mine (ROM) coal of the Assurer prevalent on the date of application by the Assured for issue of LOA X Effective LoA Quantity.

When the option to Surrender the Imported coal is exercised after issuance of LoA then the CG for the excess amount shall be released to the Assured within 30 days from the date of receipt of the duly signed copy of the Option Letter. The revised CG shall in no case be less than Rs.3,00,000/- \* (Rs three lakhonly) per mtpa of coal quantity requested by the assured or part thereof.

Such  $CG_{\text{Revised}}$  shall be considered as CG for all purposes of LOA.

**Amendment to the Fuel Supply Agreement (FSA) :**

When the option to surrender Imported Coal is exercised after signing of FSA, the Purchaser can do so by signing and submitting a copy of the Option Letter at any time after the Signature Date as mentioned in the FSA . In the event the Purchaser decides to exercise the option to surrender imported coal after commencement of regular supply of coal under FSA beyond the Build Up Period, as defined at clause 2.10 of FSA, the Purchaser can do so every year by submitting the signed copy of the Option letter at least one month before start of the Year to the Seller. In case the option is not exercised one month prior to commencement of the Year, the existing status regarding supply of imported coal shall continue.

In the event, the Purchaser opts to surrender the Imported Coal supply the following clauses in the Fuel Supply Agreement shall stand added/amended

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\* Applicable for CPP/Cement/Sponge Iron and other non power end use consumers



**[Added]**

- C. 2.8.1.1a However, in case the Purchaser has surrendered the Imported Coal Supply option by signing the option letter as per clause 4.1.a then the provisions of FSA at clause 2.8.1.1 in respect of fulfillment of Seller's Condition Precedents regarding arrangement for supply of Imported Coal shall be deemed to have been waived.

**[Added]**

- D 3.8/3.7 \* In the event the Purchaser opts for the surrender of the imported coal as per clause 4.1.a of the Fuel Supply Agreement, then the Security Deposit (SD) shall accordingly be revised and shall be determined as  $SD_{\text{Revised}}$  and shall be calculated as per the formula given below :

$$SD_{\text{Revised}} = 6\% \text{ of the Base Price of Grade [Grade as mentioned in the FSA]} \times ACQ_{\text{Effective}}$$

being defined at Clause 4.1a

SD for the excess amount shall be released to the purchaser within 30 days from the date of receipt of the duly signed copy of the Option Letter.

Such  $SD_{\text{Revised}}$  shall be considered as SD for all purposes of FSA.

**[Added]**

- E. 4.1.a The purchaser can opt to surrender the imported coal supply option specified in the FSA by signing and submitting a copy of the Option Letter, at any time after the Signature Date as mentioned in the FSA. In the event the Purchaser decides to exercise the option to surrender imported coal after commencement of regular supply of coal under FSA beyond the Build Up Period, as defined at clause 2.10 of FSA, then the Purchaser can do so every year by submitting the signed copy of the Option Letter at least one (1) month before the commencement of the Year to

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\* Clause 3.8 in respect of high demand and medium demand models (i.e Model B & C) and 3.7 in respect of low demand model (i.e Model A)

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the Seller. Accordingly, the Annual Contracted Quantity (ACQ) as mentioned in clause 4.1 shall be reduced by 50% and the ACQ so revised will be termed as  $ACQ_{Effective}$ .

$$\text{Thus } ACQ_{Effective} = ACQ_{Original} ( X 0.5 )$$

$ACQ_{Original}$  is the original quantity mentioned in the clause 4.1 of the Fuel Supply Agreement.

$ACQ_{Effective}$  is the revised ACQ for the year concerned (Reduced by 50% of the  $ACQ_{Original}$ ). Such  $ACQ_{Effective}$  shall be considered as ACQ for all purposes of FSA.

**[Added]**

F. 4.1.b In the event the Purchaser desires to withdraw the option exercised in the preceding Year to surrender the imported coal supply, the Purchaser shall have the option to do so for the succeeding Year, provided due notice is given to the Seller at least one month before the start of the said succeeding Year. On exercising such option by the Purchaser, all provisos of the original FSA prior to surrender of the imported coal shall stand restored. The additional amount towards Security Deposit (SD) for restoring it to the original level shall be submitted along with the notice of such withdrawal.

**[Added]**

G. 4.3.1 However, in case the Purchaser has surrendered the imported coal supply option by signing the Option Letter as per clause 4.1.a then the alternative source shall exclude the imported coal.

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**[Amended]**

- H. 4.8.1(v) & 4.8.2(iii) /4.9.1(v) & 4.9.2(iii)/ 4.10.1.(v) & 4.10.2(iii) \*The quantity of coal offered by Seller through alternative source which is not accepted by the Purchaser. However, in case the Purchaser has surrendered the imported coal supply option by signing the Option Letter as per clause 4.1.a then the alternative source shall exclude the imported coal.

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\* For low demand model (Model A) the applicable clauses are 4.8.1(v) & 4.8.2(iii) / For medium demand (Model B) the applicable clauses are 4.9.1(v) & 4.9.2(iii) and For high demand model (Model C) the applicable clauses are 4.10.1.(v) & 4.10.2(iii)

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**SCHEDULE - I**

## Annual Contracted Quantity

(Refer clause 4.1 and/or 4.1.a. \*\*)

## Annual Contracted Quantity

Sl. No.	Name of the Plant owned by Purchaser	Name of Rake Fit Station	Annual Contracted Quantity (Lakh Tonnes)	Mode of Transport	Source coal field of the Seller *

\* Name of the Company/Source shall be mentioned

\*\* In the event the Purchaser opts for the surrender of the imported coal, as per the Clause 4.1(a) then the Schedule-I shall mutatis mutandis stand revised. The revised ACQ which shall be supplied from domestic sources only by the Seller shall be 50% of the original ACQ. The ACQ so revised shall be termed as effective ACQ (ACQ<sub>Effective</sub>) for the Year concerned. Such ACQ<sub>Effective</sub> shall be considered as the ACQ for all purposes of FSA.

We agree that LOA shall stand modified to the extent indicated in A to B and FSA shall stand modified to the extent indicated in C to H above.

**The Option Letter shall form an integral part of LOA as well as FSA**



Signed in presence of the witness/witnesses under mentioned on \_\_\_\_ day of

\_\_\_\_\_

For (\_\_\_\_ name of the Assured/Purchaser)

Signature

Name

(block letters)

Designation :

Address :

Telephone :

Fax :

Email :

1. WITNESS

a) Signature

b) Name

(block letters)

c) Address & Occupation

2. WITNESS

a) Signature

b) Name

(block letters)

c) Address & Occupation

