

**For erstwhile Non-core sector and Core sector consumers except
Captive Power Plants & Fertiliser**

On Company's Letter Head Pad

Ref. No.

Date :

To

(Name, Regd. Address, Phone No., Fax No., E-Mail address of valid linked consumers obtaining coal from subsidiary coal company issuing the letter)

**Sub : Execution of Fuel Supply Agreement (FSA) in terms of the
New Coal Distribution Policy issued by Govt. of India.**

Dear Sir,

This to bring to your kind notice that Ministry of Coal has introduced a 'New Coal Distribution Policy' with the approval of Govt. of India vide Office Memorandum No.23011/4/2007-CPD dated 18.10.07. This policy supersedes all existing coal distribution policy for core and non-core sector and/or other instructions issued in this regard from time to time. Under this policy, coal supply under the linkage system is to be replaced with bilateral arrangement of enforceable FSAs. All the existing valid linked consumers whose linkage/MPQ is 4200 tonnes or more, would have to enter into FSAs with coal companies. Other valid linked consumers will have the option to opt out of FSA regime or enter into FSA. On opting out, such consumers may access their coal requirement through various other channels, like e-auction, distribution net work of State nominated agencies etc. Failure to enter into FSA with the supplying coal company will result in discontinuation of supply at fixed price.

According to above, you are required to enter into Fuel Supply Agreement (FSA) with our company for continuation of coal supplies.

The policy on supply of coal through FSA envisages three models of FSA based on applicable Annual Contract Quantity of the linked consumer which shall be 75% of the normative quantity i.e., entitled annual quantity for the year 2007-08.

As a condition precedent to execute the FSA, you are required to deposit with our company a sum equivalent to 6% of the notified base price of the entitled ACQ as non-interest bearing Security Deposit either in cash or in the form of Bank Guarantee. However, you have the liberty to furnish 50% of the Security Deposit on or before signing of the FSA and the balance 50% within 3 (three) months of such signing, subject to the provisions of FSA.

(2)

Copies of the New Coal Distribution Policy, all three Model FSAs including the format of Bank Guarantee towards Security Deposit are already available on CIL website www.coalindia.gov.in and www.coalindia.nic.in apart from the subsidiary company's website, i.e. (indicate the name of the subsidiary company website).

You are requested to please execute FSA with(Name of subsidiary coal company) at the earliest in order to ensure commencement of coal supplies under FSA from April 2008 onwards. However in any case, for sustained supplies, the FSA would need to be executed by or before 30th April 2008.

For any further information and execution of FSA within the stipulated period, you may contact the Office of General Manager (S&M) (name of the subsidiary company and station).

Thanking you,

Yours faithfully,

**General Manager (S&M)
(Name of the subsidiary coal company)**