



COAL INDIA LIMITED
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Ref:CIL/M&S/GCV/

Date: 09.03.2018

To

URGENT

General Manager
Marketing & Sales
ECL/BCCL/CCL/NCL/WCL/SECL/MCL

By E-Mail

Sub: Uniformity in Per GCV Based Billing to be adopted by subsidiaries

Dear Sir

Pursuant to 354th Board Meeting of CIL Board on 08th January 2018, wherein it was decided to raise coal sale bill on GCV Basis with effect from 01.04.18 or earlier, a committee was constituted at CIL towards developing methodology/procedure for Coal sales billing based on GCV.

The Committee recommendation was reviewed, and it was further suggested that the matter may be deliberated at the subsidiary level comprising of GM(M&S), GM(System) and GM (Finance) for their views and suggestions for implementation (Copy enclosed). GM(QC) may also be associated. It is requested to send your suggestions in this regard by 12th March 2018, to the undersigned.

In view of above, a meeting of GM(M&S), GM (Finance-In Charge)-M&S, GM(Systems) and GM(QC) along with the related team of executives, will be held on 14th March 2018(Wednesday) at 11AM, through Video Conferencing.

Based on such deliberations the deliverables and methodology for Coal Sale Billing on per GCV Basis will be finalized.

Matter may be treated as urgent.

Yours sincerely

GM(M&S)

Copy to: -

1. Dir.(Mktg.)-For Kind Information
2. Dir(Mktg-In-Charge)-All Subsidiaries
3. Dir.(Finance)-For Kind Information
4. Dir.(Finance)-All Subsidiaries

Invitees to VC for deliberation and formulation of Billing Modalities

5. GM(Finance), CIL
6. GM(M&S)-II, CIL
7. GM(Systems)-CIL and All Subsidiaries
8. GM(QC)-All Subsidiaries
9. HoD(Commercial), CIL
10. CM(QC), CIL
11. Sr. Manager(QC), CIL
12. GM/HoD(Finance-in-Charge), M&S-All Subsidiaries
13. HoD(F), M&S, CIL

DIRECTOR (FINANCE) SECRETARIAT
 COAL INDIA LIMITED
 Receipt No. CIL/DF/ 1758
 Date 09/2/18
 Despatch Date 12-2-18
 27/2/18

COAL INDIA LIMITED
MARKETING DIVISION
NOTE-SHEET

No. CIL/M&S/New Pricing/ 36

Date: 12.01.2018
 15

Subject: Methodology of Billing under GCV based pricing system to be adopted by Subsidiaries

CIL Board in its 354th meeting held on 08.01.2018 decided that, "The revised price will be effected from 00-00 Hours of 9.1.2018. Coal sales bill will be raised on GCV (Kcal/Kg) basis with effect from 1.4.2018 or earlier once the requisite system is ready. Till then the present mode of raising bill would continue".

Accordingly, vide office order no. CIL/DM (Secy)/2780 dated 11.01.2018, a committee for formulating the methodology of billing under the GCV based pricing system and a higher level review committee, were constituted.

The committee constituted for formulating the methodology of billing met on 12.01.2018. The deliberation and recommendation of the committee on the subject is as under:

1. Similar to the present system, the initial bill would be raised on the basis of mid-GCV of the declared grade. For example, for G5 grade having range of 5801 to 6100 kcal/kg, the mid-GCV would be taken as 5950 kcal/kg and hence the bill would be raised for 5950 kcal/kg.
2. In the present system, on receiving the analysis results for 'Third Party Sampling'/'Joint Sampling', as applicable, supplementary credit/debit notes are raised based on the absolute price difference of the declared grade and the analysed grade. Under the GCV based pricing system, it is understood that in case of grade slippage/up gradation from a particular band to the lower band or upper band the price co-efficient of the analysed band shall be applicable. The same is illustrated in the following examples.

| | | | |
|------------------|--|--------------|--------------|
| Example 1 | Mid-GCV of Declared Grade (G11) | 4150 | kcal/kg |
| Quality | Analyzed GCV (falls in G12 Grade) | 3980 | kcal/kg |
| Slippage | Mid-GCV of G12 Grade | 3850 | kcal/kg |
| | Price co-efficient for G11 in GCV based System | 0.23 | Rs./kcal/kg |
| | Price co-efficient for G12 in GCV based System | 0.23 | Rs./kcal/kg |
| | Credit Note to be issued for [= (0.23*4150) - (0.23*3980)] | 39.1 | Rs./t |
| Example 2 | Mid-GCV of Declared Grade (G11) | 4150 | kcal/kg |
| Quality | Analyzed GCV (falls in G9 Grade) | 4720 | kcal/kg |
| Improvement | Mid-GCV of G9 Grade | 4750 | kcal/kg |
| | Price co-efficient for G11 in GCV based System | 0.23 | Rs./kcal/kg |
| | Price co-efficient for G9 in GCV based System | 0.24 | Rs./kcal/kg |
| | Debit Note to be issued for [= (0.24*4720) - (0.23*4150)] | 178.3 | Rs./t |

3. The prevailing system of advance payment as applicable in different schemes shall be continuing.

4. In order to implement the unit GCV based pricing system, a robust infrastructure for grade analysis of 100% dispatches in all collieries of CIL shall be a precondition. In other words, sampling will have to be mandatory in all kinds of dispatch schemes which is presently optional in certain supply schemes. Hence all consumers will be under the ambit of third party or joint sampling, as the case may be, and will be liable to bear the 50% cost of sampling in case of Third Party Sampling.

Wang

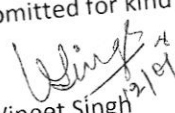
[Signature]

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5. It is imperative to develop an automated system uniformly across all subsidiaries through which the calculation of coal value based on GCV along with all other components of price would be made and conveyed over electronic media to all concerned (viz. consumer, railways, bank and other departments as required). For that purpose, it would be essential that all consumers and despatch points are identified through a unique code on pan CIL basis.
6. The automatic billing system should be enabled to capture the analysed GCV electronically from the portal of third party agency, for error free billing. The supplementary Credit/Debit Note will be raised after completion of the period 7 days that is given to both supplier/consumer for raising dispute against the third party sampling result. Accordingly, upon finalization of analysed grade, whether from Third Party or Referee sample, the entire bill will be recalculated and automated supplementary Debit/Credit Note will be sent to all concerned.
7. The third party sampling agency would be required to provide the analysis results within 15 days. In case of dispute in analysed grade, the prevalent practice of referee analysis by Government laboratory shall be undertaken within the specified timeline.
8. It is likely that in almost all cases Debit/Credit Note will be raised through the above automated system. An electronic pass book may therefore be created for each consumer to update the debit /credit amount in their account, which will be reconciled at the end of the month.
9. In this connection it is also to be stated that Royalty and other charges are being charged on declared grade without any adjustment for sampling and hence needs to be addressed at appropriate level.

Submitted for kind perusal.


Vineet Singh
Sr. Manager (M&S)


Siddhartha Saxena
Asst. Manager (M&S)


Nishtha Sah
Asst. Manager (F), M&S

Review Committee

Note placed on page 3.

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