

**INFORMATION FOR PROSPECTIVE SUPPLIERS TO SUBMIT PROPOSALS FOR
THE SUPPLY OF COAL ON A CREDIT BASIS**

FOR



LANKA COAL COMPANY (PRIVATE) LIMITED

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PROPOSALS

TO SUPPLY OF COAL FOR LAKVIJAYA POWER PLANT, SRI LANKA

1. INTRODUCTION

LCC is the authorized agency for supply of coal for 3x300MW Lakvijaya Coal Power Plant located in the west coast of Sri Lanka. LCC was incorporated in January 2008 for the procurement of coal to meet full requirement of coal for all coal-fired power stations in the Country. Shares of the Company are held by the Ministry of Finance, Ceylon Electricity Board, Sri Lanka Ports Authority and Ceylon Shipping Corporation Ltd. LCC is a fully Government owned private company.

2. SUBMISSION OF PROPOSAL

Sealed proposals shall be submitted by hand or sent by courier to:

Secretary
Ministry of Power and Energy,
No-80, Sir Ernest De Silva Mawatha
Colombo 07,
Sri Lanka

Proposals will be received up to 16:00 hrs on 01/12/2022.

3. ELIGIBILITY CRITERIA FOR SUBMISSION OF PROPOSALS.

The supplier shall meet the following minimum qualification criteria and Supplier who fail to provide evidence as below to prove that they meet with the minimum qualification criteria shall be not considered:

a) AVERAGE ANNUAL TURNOVER (SIZE OF OPERATION)

Supplier shall have average annual turnover of USD 50 million or equivalent, over the last three (3) financial years (2018/19,2019/20 and 2020/21).

Audited financial statements for the immediate last three years and draft/management account for the rest of the period. The annual average turnover of the company should not be less than USD 50 Million or equivalent.

b) CASH FLOW CAPACITY

Supplier shall have minimum working Capital and or evidence of access to or availability of Credit Facility for not less than USD 15 Million.

- In case of Working Capital, it will be derived by using the following formula based on the values represent the latest balance sheet.

Working Capital = Total Current Assets – Total Current Liabilities

- Supplier shall provide original letter of confirmation from the supplier's bank(s) as evidence of availability of Credit Facilities. Photocopies, faxes, email shall not be acceptable.

c) COAL SUPPLY EXPERIENCE

Supplier shall have experience in supplying at least one (01) Million Metric Tons of coal in last 36 months, i.e from 1st April 2019 to 31st March 2022. Any

transactions of supplying coal between the partners of a Joint Venture formed will not be taken for consideration for the purposes of assessing experience of the Joint Venture.

Supplier is required to provide the following supporting information from all the Purchasers indicated in the above duly certified by the respective Purchaser.

- i) The Contract numbers and Contract dates and Coal actually supplied to the indicated Purchaser by the Supplier's.
- ii) The Bill of Lading (BL) / Goods Receipt Notice (GRN) reference numbers, and quantity of Coal received under each BL/GRN together with copies of all such BLs/GRNs and any other relevant document

d) PENDING LITIGATION AND ARBITRATION

Supplier shall provide accurate information, on any litigation or arbitration resulting from contract completed or under execution by him over the last three (3) years. A consistent history of arbitration decisions opposing the claim of the Supplier or any partner of a joint venture will result in disqualification. Any Supplier who is already on litigation process or has failed to supply coal as per the contractual terms or breached the contracts relating to supply of coal to LCC shall be disqualified.

e) The following additional prerequisites for qualification shall be fulfilled by the supplier in order to be qualified.

The Supplier shall be,

- 1) A properly constituted firm, company, partnership or enterprise duly organized and existing and registered under the laws of its country of registration. **Copies of company registration and/or incorporation certificate shall be provided with certification by respective foreign authority.**
- 2) No criminal or civil case in court pending or finally decided against him or it, involving non-payment of tax, duty, or undertaking with the government or any of its sub-divisions, branches or instrumentality, including government-owned or controlled corporations, in Sri Lanka or the Supplier's country.

Confirmation of status in the form of statement signed by the authorized signatory shall be provided.

- 3) Not been involved in or not currently be involved in bankruptcy.
- 4) Good bank references, duly confirmed, and full financial support.

Submission of Original letter(s) issued by the bank is preferred instead of copies, emails or faxes.

Note: *LCC at its discretion, may request the documents submitted by the proposer to be authenticated by the relevant Embassies / Foreign Missions.*

4. QUALITY

LCC's Standard Values and Reject Values for Coal to be supplied to the Plant can be found in Table - 01 and Table – 02 of this document. LCC's Standard Values are

given for the purpose of all proposals to quote for coal of one specific quality for the comparison of prices. However, Suppliers are not restricted to supply coal only to the quality specified in the LCC's Standard Values but allowed to supply coal within the range of LCC specifications and shall be accepted by the Buyer at an adjusted price. The Coal, with specifications beyond the "LCC Reject Values for Coal" shall be liable for rejection by LCC.

5. QUALITY OF COAL TO BE SUPPLIED

The coal from mines proposed by the supplier shall have quality within the LCC Standard Value and Rejects Value for coal as per Table 01 and 02 below.

LCC STANDARD VALUES FOR COAL

The Lakvijaya Power Plant will be operated as a base load unit, fueled by low Sulphur coal having standard properties (the LCC Standard Values) given below.

TABLE: 01 - LCC STANDARD VALUES FOR COAL

PROXIMATE (%)	UNIT	<i>As Received</i> BASIS
GCV (kcal/kg)	kcal/kg	6,150
Total Moisture	% wt	12.0 or below
Volatile Matter	% wt	31
Fixed Carbon	% wt	49.5
Sulphur	% wt	0.5 or below
Ash	% wt	11.0 or below
HGI	° H	50
Grain Size above 50 mm	% wt	3.0% or below by weight
Grain Size below 2 mm	% wt	22.5% or below by weight
ASH FUSION (° C)		<i>Reducing</i>
IDT	° C	1,250
Fluid	° C	1,325

TABLE: 02 - LCC REJECT VALUES FOR COAL

(as received basis), (Proximate analysis - as received basis)

Parameter	LCC REJECT VALUES
Gross Calorific Value	Less than 5,900 kcal / kg
Total Moisture	More than 16.0 % by weight
Ash Content	More than 16 % by weight
Volatile Matter	Less than 22 %, More than 39.9 % by weight
Sulphur Content	More than 1.0 % by weight

HGI	Less than 40, More than 59
Size Consist : a) Above 50 mm b) Below 2 mm	More than 5 % by weight More than 30 % by weight
Ash Fusion Temperature <i>R</i> <i>IDT (Deformation)</i> F.T (Fluid)	Less than 1,150°C Less than 1,250°C

Note: R equals Reducing Atmosphere

6. DELIVERY SCHEDULE

Tentative delivery schedule for supply of coal 720,000 MT $\pm 10\%$.

Period	No of Shipments	Quantity (MT $\pm 10\%$)
January 2023 to April 2023	12	720,000

Laycan Schedule for LCC's Coal Requirement will be finalized with selected supplier for the relevant season from the relevant Load Port. It is the responsibility of the supplier to do the loading and trimming of the coal as per the buyer's option.

Supplier shall liaise with LCC in respect of confirmation of laycans and nomination of ships and shall responsible for any changes made by the supplier of the load port laycans after the confirmation.

In consultation with the Seller, shipments of Coal will be scheduled by LCC over the duration of contract period by considering the restriction at Port of Puttalam as below.

- i. When nominating performing vessels at load port, supplier should take every effort to maintain, sufficient gaps in order to avoid unnecessary discharge port demurrage ensuring vessels are reaching to discharging Anchorage accordingly.
- ii. The minimum unloading rate of 10,000 MT pwwd.
- iii. It is anticipated that about 38 vessels of package size 60,000 MT $\pm 10\%$ should be unloaded within 210 days (a coal season) at the Puttalam Anchorage by maintaining about 3 days' gaps.

Vessels arrival schedule (ETA) to the Puttalam (discharge) Anchorage will be given to the supplier by LCC at the time of awarding of the contract.

Arrival/departure formalities at the port of Puttalam shall be carried out between 06:00 hrs to 16:00 hrs local time.

The vessels should reach Puttalam anchorage maintaining a above mentioned gap of 3-4 days for the season 2022-23. Vessel arrival schedule for coal season 2023-24 will be notified to the supplier one month prior to the commencement of the next season.

The supplier shall indicate only one Main Port and one alternative port in the Proposal. Alternative ports shall be applicable only if the respective country or port lockdown situation arises due to a pandemic (Covid-19) or any other unforeseen situation acceptable to LCC. The supplier shall be responsible for freight irrespective of FOB or CFR terms.

8. BID SECURITY

It is required to submit a form of **Bid Securing Declaration** signed by the authorized signatory along with their proposals.

Form of Bid-Securing Declaration

[The supplier shall fill in this Form in accordance with the instructions indicated.]

Date: *[date (as day, month and year)]*

Proposal No.: *LCC/22/PROP/1*

Alternative No.: *[insert identification No if this is a Bid for an alternative]*

To: *Lanka Coal Company (Pvt.) Ltd.*

We, the undersigned, declare that:

We understand that, according to your conditions, the Offer must be supported by a Bid-Securing Declaration.

We accept that we will automatically be suspended from being eligible for bidding or submitting proposals in any contract with the Purchaser for the period of time of *[number of months or years]* starting on *[date]*, if we are in breach of our obligation(s) under the Bid conditions, because we:

- (a) have withdrawn our Price Offer during the period of Offer validity; or
- (b) having been notified of the acceptance of our Offer by the Purchaser during the period of Offer validity, (i) fail or refuse to sign the Contract; or (ii) fail or refuse to furnish the Performance Security, if required.

We understand this Bid Securing Declaration shall expire if we are not the successful Supplier, upon the earlier of (i) our receipt of your notification to us of the name of the successful Supplier; or (ii) twenty-eight days after the expiration of our Bid.

Name of the Supplier* _____

Name of the person duly authorized to sign the Bid on behalf of the Supplier** _____

Title of the person signing the Bid _____

Signature of the person named above _____

Date signed _____ day of _____, _____

*: In the case of the Bid submitted by joint venture specify the name of the Joint Venture as Supplier

** : Person signing the Bid shall have the power of attorney given by the supplier attached to the Bid

[Note: In case of a Joint Venture, the Bid-Securing Declaration must be in the name of all members to the Joint Venture that submits the Bid.]

9. WEIGHT DETERMINATION AND COST OF DRAFT SURVEYING

The weight of each shipment of Coal shall be determined at the Port of Loading and the Discharging Anchorage.

The draft survey for weight determination shall be carried out by an Independent Marine Surveyor appointed the Buyer shall be binding on both parties. The cost of weight determination at the Port of Loading shall be for the Seller's account and the cost of such weight determination at the discharging anchorage shall be on the buyer's account.

The Independent Marine Surveyor shall also inspect all holds of the vessel at the Port of Loading to ensure that they have been thoroughly cleaned and are suitable for carrying that shipment of Coal and shall issue a hold cleaning inspection certificate also.

The Seller shall promptly provide via electronic transmission to the Buyer certificates of weight determination issued by the Independent Marine Surveyor within seven (7) working days from the date of BL. The originals shall accompany each invoice prepared and submitted in accordance with relevant documents.

However, any cost incurred due to delay in receipt of Load Port shipping documents shall be on account of the seller.

The weight determined at the Puttalam Anchorage (Discharging Anchorage) shall be taken as the final weight for the purpose of invoicing.

10. DETERMINATION OF QUALITY OF COAL DELIVERED

A. STANDARDS OF THE ANALYSIS

Each shipment of Coal will be sampled at the Port of Loading and at the Jetty of the Plant in accordance with the ASTM standards (American Society for Testing Materials Standards) as specified in Table -03 below.

B. SELECTION OF INDEPENDENT SURVEYOR AT THE PORT OF LOADING

At the Port of Loading, the analysis of samples shall be carried out by an accredited and internationally recognized Independent Surveyor appointed by the seller, acceptable to buyer in accordance with the ASTM standards (American Society for Testing Materials Standards).

Sample of Coal taken at the port of loading shall be divided into two (2) parts, with one (1) such part to be used for the analysis of the sample by the Independent Surveyor. **The second (2nd Part)** sample shall be retained in a

suitable airtight container, properly labelled and sealed, for not less than ninety (90) days from the date of B/L of each vessel. The Buyer may appoint another Independent Surveyor, acceptable to the Seller, who shall be permitted to supervise the sampling at the Port of Loading. Two (2) authorized representatives of the buyer shall be permitted to supervise the sampling & analysis process at the Port of Loading at random approximately one (1) visit in every five (5) shipments basis and the Seller shall facilitate to the above process.

The Seller shall provide via electronic transmission to the Buyer certificates of analysis, from the Independent Surveyor, within Five (05) working days after date of BL. In the event of the vessel arrived before receiving the load port certificates, unloading shall not be permitted, then the seller shall be responsible for all the expenses incurred due to the delay.

At the time of signing the Agreement both parties shall agree the list of such accredited laboratories.

C. SELECTION OF INDEPENDENT SURVEYOR AT DISCHARGE PORT.

Similarly, At the Jetty of the Plant, the analysis of samples shall be carried out by an accredited and internationally recognized Independent Surveyors appointed by the Buyer, acceptable to seller in accordance with the ASTM Standards. The Seller may appoint another Independent Surveyor, acceptable to the Buyer, who shall be permitted to supervise the sampling at the Port of Jetty of the Plant. Two (2) authorized representatives of the seller shall be permitted to supervise the sampling & analysis process at the Jetty of the Plant at random and the buyer shall facilitate to the above process.

Sample of Coal taken at the Jetty of the Plant shall be divided into two (2) parts, one (1) such part to be used for the analysis by the appointed Independent Surveyor. The remaining part shall be available as a Reference Sample and shall be retained by the appointed Independent Surveyor. The second (2nd Part) sample will be kept in a suitable airtight container, properly labelled and sealed, for not less than ninety (90) days from the date of unloading completion of each and every vessel under the joint lock and joint custody of both buyer and seller.

The Buyer shall provide discharge port Draft Surveying, Sampling and Analysis certificates via electronic transmission to the Seller, from the Independent Surveyor, within four (4) working days after receipt of such certificates from the independent surveyor at discharge port. The Independent Surveyor is obliged to issue the discharge port certificates within 10 days from the date of completion of each vessel's discharge.

11. TESTING OF THE REFERENCE SAMPLE

In the event of the seller is not in agreement with the results of analysis at the Discharge Port, the seller has the right to request re-testing of the reference sample. In this event, the results of the analysis of the Reference Sample taken at the Discharge Port shall be considered as binding and conclusive for payment, except the size parameter and moisture parameter. The results of size and moisture parameter derived

from the discharge port sample shall be final and there shall be no reference sample to re-analysis size and moisture parameters.

In such event, the cost of analysis of the reference sample is for the account of the seller.

Two (2) authorized representatives of the buyer shall be permitted to supervise the analysis process of the reference sample. At the time of signing the Agreement, both parties shall agree with the list of accredited laboratories to test reference sample.

12. APPROVED MEASUREMENT STANDARDS

The American Association of Testing and Materials (ASTM) standards will be applied to sampling and testing samples for Port of Loading and Port of Discharging. The ASTM standards are as follows.

Table – 03 American Measurement Standards

	ASTM Standard Number
Sampling	D 2013 D 2234 D 7430
Total Moisture	D 3302
Proximate Analysis	
Moisture of Analysis Sample	D 3173
Fixed Carbon	D 3172
Ash	D 3174
Volatile Matter	D 3175
Gross Calorific Value	D 5865
Hardgrove Grindability Index	D 409
Ash Fusion Characteristics	D 1857
Size Consist	D 4749
Ultimate Analysis	
Carbon	D 3178, D 5373
Hydrogen	D 3178, D 5373
Nitrogen	D 3179, D 5373
Total Sulphur	D 3177, D 4239
Oxygen	D 3176, D 5373
Ash Analysis	
Silicon	D 4326

Aluminium	D 4326
Iron	D 4326
Calcium	D 4326
Magnesium	D 4326
Sodium	D 4326
Potassium	D 4326
Phosphorus	D 4326
Titanium	D 4326
Manganese	D 4326
Sulphur	D 1757

Note: or latest revised/ equivalent test adopted by ASTM.

13. DETERMINATION OF QUALITY AND ACCEPTENCE OF COAL FOR UNLOADING.

In the event the coal shipment, does not fall within the LCC's reject values stated in Table - 01, LCC shall accept such coal. The Certificate of Unloading (COU), shall be issued by the buyer to seller, within 72 hours after receiving the Draft Surveying, Sampling and Analysis certificates issued at the port of loading along with the custom purpose, provisional invoice.

The above certificates shall be accepted only for the sampling and analysis made as per the American society for Testing and Materials Standards (ASTM) Table - 03 for the all parameters given in Table - 01.

14. FAILURE TO MEET SPECIFICATION

At Load Port

Within 72 hours after receiving, the certificate of analysis of load port provided pursuant to Clause 13. If the parameters listed in the "Table - 02": LCC REJECT VALUES FOR COAL" (**GCV, Total Moisture, Ash, Volatile Matter, Size, Hardgrove Grindability Index, Sulphur and Ash Fusion Temperature**), of the coal shipment falls within the LCC reject values stated in "Table -02", LCC shall Reject such coal. In this event, the Seller shall promptly recall such coal shipment at the Seller's cost and the Seller shall be obliged to offer Substitute Coal with the quality as per "Table - 01".

At Discharge Port (Jetty of the Plant)

Upon receiving the discharge port analysis certificates, provided by discharge port independent surveyor pursuant to Clause 11 and 13, If the parameters listed in the Table – 02, "LCC REJECT VALUES FOR COAL" falls within the LCC reject values stated in Table - 02 LCC shall reduce the price as per "Clause 23" for the deviation from the LCC standard value for coal as per the " Table - 01".

15. INVOICING

Invoices for Coal which has been delivered to the Buyer and has not been rejected by the Buyer pursuant to Clause 14 shall be issued in the manner hereinafter set out for each shipment in required number of copies;

There shall be two invoices (Provisional invoice for custom purposes and the commercial invoice for the Payment). All Invoices shall contain the following details:

All Invoices shall contain the following details:

- i. Name of the Seller
- ii. Invoice No. and date
- iii. Contract Year/ Shipment Number
- iv. Identification of the Coal
- v. Date(s) of delivery
- vi. Vessel Name / Number or Voyage Name / Number
- vii. Tonnage for the relevant shipment
- viii. Price per MT FOB/CFR Puttalam anchorage with finance costs
- ix. Price of the Coal /Amount due (value of coal after coal index price and quality adjustment)
- x. Freight cost per MT (total freight including Bunker/Freight adjustment as applicable)
- xi. Total invoice value
- xii. The Buyer contract reference number
- xiii. LC/NRRA/EA reference No.
- xiv. BL No. and Date

The Invoice shall be set out as follows:

Total = (Tonnage) x (Applicable Index Adjusted Price per MT - Price Adjustments on Quality + Freight cost including relevant +/- bunker adjustments per MT + Financing Costs for 180 days credit facility).

The two invoices for each shipment as below

A. PROVISIONAL INVOICE FOR CUSTOMS PURPOSES

The seller shall prepare the Provisional Invoice as per above and submit to the buyer, indicating CFR Puttalam Anchorage-basis on relevant coal index reports and Load Port analysis reports the Coal price, weight and quality price adjustments

B. COMMERCIAL INVOICE FOR PAYMENT

The seller shall prepare the Commercial Invoice as per above and submit to the buyer, indicating CFR Puttalam Anchorage/FOB Trimmed basis on relevant index and Discharge Port analysis reports after calculating the Coal price, weight and quality price adjustments.

Each invoice shall be accompanied by all supporting documents stated in clause 15 of schedules enabling all relevant parties including the buyer to establish the accuracy of the amounts claimed in the relevant Commercial Invoice.

16. PAYMENT

The supplier has the option of selecting any one of the following three (3) payment methods.

a) Non-Residents Rupee Account (NRRA)

The account should be opened at the Peoples bank, Sri Lanka by the one of the authorised directors of the seller more fully described in 16.d)

b) Escrow Account (EA)

The account should be opened at the Peoples bank, Sri Lanka by the seller's or seller's nominated company registered in Sri Lanka, more fully described in 16.d).

c) LKR Account

The payment will be done in LKR directly to be suppliers account specified at any Sri Lankan Bank.

For the two payment methods set out in 16.a). and 16.b) above, accounts will be opened at the Peoples Bank of Sri Lanka by following the relevant banking procedures within seven (7) days from the Expected Time of Arrival (ETA) of the carrying vessel at the Port of Loading. The value of the NRRA or Escrow will be determined based on the Pro-forma invoice issued by the seller seven (7) days prior to the first date of Laycan scheduled at the Port of Loading.

In both cases, the seller, the LCC, the CEB, and the Peoples Bank all need to sign a quadripartite agreement. The agreement will be negotiated by all four parties using the Peoples Bank's specimen.

All Payments under the NRRA or Escrow account, quadripartite agreement shall be made to the seller by means of telegraphic transfer (TT) after 180 days from the date of B/L, for the price after adjustment for quality of the coal including finance cost as agreed by the parties as applicable. All bank charges outside Sri Lanka, if any, will be on account of the Seller.

The date on which a NRRA or Escrow account is opened by the seller should be treated as the date of Expected Time of the vessels to the port of loading.

All Payments done in LKR directly to the supplier's account shall be made to the seller by means of cheque after 180 days from the date of B/L, for the price after adjustment for quality of the coal including finance cost as agreed by the parties as applicable

- d)** The payment value will be based on the discharge port weight and quality certificates subject to the Letter of Confirmation (LOC) of the shipment based on the weight and quality certificates as per the clause 29. The Buyer is not responsible for any delays in transmission of subsequent amendments requested by the Seller.

The adjusted total invoice value will be paid upon submission of the required documents for Payment Specified in "Clause 19" to this bidding document. The payment will be made on Commercial invoice after issuing Letter of Confirmation

(LOC) as per the Clause 29. The payment shall be made upon submission of the required original documents for the Payment Specified in “Clause 19 to the agreement.

- e) As per clause a). NRRA - the supplier will be paid by USD after 180 days from the BL date by TT through the Peoples’ Bank of Sri Lanka.

As per clause b) Escrow Account (EA) - a foreign supplier will be paid in USD after 180 days from the BL date by TT through the Peoples’ Bank of Sri Lanka, but in case of the local supplier or the foreign supplier nominates a local agent to receive sales proceeds, then payment will be made in LKR after 180 days from the BL dates through the Peoples’ Bank of Sri Lanka.

- After awarding the contract to the selected supplier, the Quadripartite Agreement will be signed and a NRRA or Escrow Account will be opened at the People's Bank of Sri Lanka.
- 20% of LKR equivalent of the USD value of the proforma invoice issued by the supplier, will be deposited to NRRA or EA account, 01 day prior to the first day of Laycan at the port of loading.
- The balance (80%) will be deposited weekly to the aforementioned accounts in equal 25.7 installments commencing from the BL date.
- The final payment will be credited in USD (at the prevailing bank exchange rate that is in effect on the date of payment) to the supplier's nominated account at the end of the 180-day period as per the contract.

LKR payment will be made by following the local banking procedures after 180 days from the BL date.

17. ACCEPTANCE OF COAL UNLOADING AT PUTTALAM

The coal unloading shall be made after issuing Certificate of Unloading (COU) as per the Clause 28, DOCUMENTS REQUIRED FOR COU is in Clause 19.

18. PERFORMANCE SECURITY

The need for a performance security shall be decided based on the credit term offered.

19. DOCUMENTS REQUIRED FOR CERTIFICATE OF UNLOADING AT PUTTALAM ANCHORAGE

- i. Seller’s manually signed Provisional Invoice in Two originals and Two copies showing FOB Trimmed or CFR Puttalam Anchorage price, HS code No. 2701.12 and certifying that the shipment and its value conform in all respects to supplier’s Proforma Invoice No. dated 20xx and the contract No. LCC/22/PROP/1 signed between Lanka Coal Company (Pvt.) Ltd and the Coal Supplier.

- ii. Full set of Clean on Board Bills of Lading (BL) in 3 Originals and 3 non-negotiable copies

NOTIFY PARTY:

Chairman and Managing Director
Lanka Coal Company (Private) Limited
51/3, Suranimala Place, Off-Dutugemunu Street,
Dehiwala 10350, Sri Lanka

- iii. Certificate of Origin in One original and Two copies – acceptable to LCC and issued by the appropriate authority of the relevant country. Eg. Chamber of Commerce (combined certificate of origin and invoice acceptable).
- iv. Certificate of Weight in Two originals and Two copies issued by an internationally accepted independent inspector at the Load Port.
- v. Beneficiary's Certificate in one Original and two copies certifying that copy documents and original Statement of Facts, Ship's Stowage Plan, Cargo Manifest and Notice of Readiness have been sent to applicant by courier.
- vi. Certificate of Hold Cleanliness before loading of coal in two Originals two copies.
- vii. Load port Certificate of Sampling and Analysis of Quality in Two originals and Two copies issued by an internationally accepted independent inspector at the Load Port.
- viii. Draft Survey Report issued by an internationally accepted independent inspector at Load Port two originals and two copies.
- ix. Applicant's Certificate of Unloading (COU) as per clause 28. This will be issued within 72 hours from the receipt of the above documents.

20. DOCUMENTS REQUIRED FOR PAYMENT

- a) Seller's manually signed Commercial Invoice in Two originals and Two copies indicating FOB Trimmed or CFR Puttalam Anchorage price, HS code No. 2701.12 and certifying that the shipment and its value conform in all respects to supplier's Proforma Invoice No. dated 20xx and the contract No. LCC/22/PROP/1 signed between Lanka Coal Company (Pvt.) Ltd and the Coal Supplier.
- b) Full set of Clean on Board Bills of Lading (BL) in 3 Originals and 3 non-negotiable copies

NOTIFY PARTY:

Chairman and Managing Director
Lanka Coal Company (Private) Limited
51/3, Suranimala Place, Off-Dutugemunu Street,
Dehiwala 10350, Sri Lanka

- c) Certificate of Origin in One original and Two copies – acceptable to LCC and issued by the appropriate authority of the relevant country. *Eg. Chamber of Commerce* (combined certificate of origin and invoice acceptable).
- d) Certificate of Weight in Two originals and Two copies issued by an internationally accepted independent inspector at the discharge port anchorage/ Jetty of the Plant.
- e) Beneficiary's Certificate in one Original and two copies certifying that copy documents and original Statement of Facts, Ship's Stowage Plan, Cargo Manifest and Notice of Readiness have been sent to applicant by courier.
- f) Certificate of Hold Cleanliness before loading of coal in two originals and two copies.
- g) Discharge port Certificate of Sampling and Analysis of Quality in Two originals and Two copies issued by an internationally accepted independent inspector at the Discharge Port.
- h) Draft Survey Report issued by an internationally accepted independent inspector at the Discharge Port in two originals and two copies.
- i) Applicant's Certificate of Unloading (COU) in one Original and two copies as per clause 28.
- j) Applicant's Letter of Confirmation (LOC) in one Original and two copies as per clause 29 This will be issued within 3 working days from the receipt of the above documents stated in clause a) to h).

21. FOB PRICE ADJUSTMENT

THE RELEVANT SHIPMENT, INITIAL BASE PRICE SHALL BE VARIED AS GIVEN BELOW.

Payment adjustment based on monthly International Coal Indexes

The price of each shipment of coal shall be calculated using the equation (a) given below. Based on the composite index formula given in the equation (b). Monthly published relevant International API4, API6, ICI, And RCI Coal indexes (in USD) listed below by Argus Media website, www.argusmedia.com shall be used as the indexes for all shipments in this tender.

The composite index shall be calculated using the index derived from the International API 4, API 6, ICI, and RCI, FOB Russian Index, Vostochny Coal indexes (in USD). The composite index shall be derived using the equation (b) given below

1. API 4 - FOB Richards Bay index (monthly average) for 6000 kcal/kg in USD/MT

2. API 6 - FOB Newcastle index (monthly average) for 6000 kcal/kg in USD/MT
3. ICI - Average of FOB Indonesian Index (Monthly average) for ICI 1, 6500 (GAR) and ICI 2, 5800 (GAR) kcal/kg in USD / MT
4. RCI - FOB Russian, Vostochny Index (Monthly average) for 6000 kcal/kg in USD/ MT

(a) Price Adjustment Formula

$$(FOB)_f = \frac{(FOB)_i}{(INDEX)_o} \times (INDEX)_n$$

(b) Composite Index Formula

$$INDEX = \frac{API\ 4 + API\ 6 + \{(ICI\ 1 + ICI\ 2)/2\} + RCI}{4}$$

(FOB) _f	<i>FOB Trimmed price per MT of Coal paid for the shipment after index adjustment in USD.</i>
(FOB) _i	<i>Awarded FOB Trimmed price per MT of coal in USD.</i>
(INDEX) _o	<i>Mean index value for the month prior to the month in USD of bid closing date shall be a composite index, calculated using the equation (b).</i>
(INDEX) _n	<i>Mean index value for the month in USD for the preceding month to month, which includes the Bill of Lading (BL) date of the relevant shipment shall be a composite index, calculated using the equation (b).</i>

22. QUALITY PRICE ADJUSTMENTS

The index adjusted (FOB)_f price shall re-adjusted for payments according to the Coal Quality adjustments as per the mentioned below. The quality adjustment parameters are based on the proximate analysis “*as received basis*”.

- I. When preparing the **Provisional invoice** for the custom purpose, the **Load Port** quality analysis certificate and weight certificate should be considered.
- II. When preparing the **Commercial Invoice** for the payment, the **Discharge port** quality analysis certificate and weight certificate should be considered.

LCC standard values are mentioned in the **Table – 01 above**.

a) GROSS CALORIFIC VALUE - (GCVar)

If the actual GCVar of a given shipment of Coal is less than the LCC Standard Value for GCVar, the Price of that shipment of Coal shall be reduced by an amount in accordance with the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 1.25] \left(\frac{\text{LCC Standard value} - \text{Actual Value}}{\text{LCC Standard Value}} \right) \right\}$$

Specimen Calculation

Example - Assumed (FOB)_f is 100 USD per MT and Actual GCVar = 6000

$$\begin{aligned} (-) \text{ Price Adjustment} &= 100 \times 1.25 \times \frac{(6150 - 6000)}{6150} \\ &= \underline{\underline{3.05 \text{ USD/MT}}} \end{aligned}$$

No price adjustment shall be applied in case of measured GCVar above the LCC Standard value of 6150 kcal/kg

b) SULPHUR CONTENT

If the actual Sulphur percentage of a given shipment is greater than the LCC Standard Value for Sulphur percentage but within LCC Reject Value then the Price of that shipment of Coal shall be reduced by an amount in accordance with the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 0.4\%] \left(\frac{\text{Actual Value \%} - \text{LCC Standard Value \%}}{0.1\%} \right) \right\}$$

If Sulphur content is >1.0%, shipment or delivered Coal shall be rejected

Specimen Calculation

Example - Assumed (FOB)_f is 100 USD per MT and Actual Sulphur is 1%

$$(-) \text{ Price Adjustment} = 100 \times 0.4\% \times \frac{(1\% - 0.5\%)}{0.1\%} = \underline{\underline{2.0 \text{ USD/MT}}}$$

No price adjustment shall be applied in case of measured Sulphur percentage is less than 0.5%.

c) ASH CONTENT

If the actual ash percentage of a given shipment is greater than the LCC Standard Value for ash percentage then the Price of that shipment of Coal shall be reduced by an amount in accordance with the following formula:

$$\text{Price Adjustment} = \left\{ \left[(\text{FOB})_f \times 0.8\% \right] \left(\frac{\text{Actual Value \%} - \text{LCC Standard Value \%}}{1.0\%} \right) \right\}$$

Specimen Calculation

Example - Assumed $(\text{FOB})_f$ is 100 USD per MT and Actual Ash % is 16%

$$(-) \text{ Price Adjustment} = 100 \times 0.8\% \times \frac{(16\% - 11\%)}{1.0\%} = \underline{\underline{4.0 \text{ USD/MT}}}$$

No price adjustment shall be applied in case of measured ash content below the LCC Standard Value of 11%.

d) MOISTURE CONTENT

If the actual total moisture percentage of a given shipment is greater than the LCC Standard Value for total moisture percentage then the Price of that shipment of Coal shall be reduced by an amount in accordance with the following formula.

TM – Total Moisture

$$\text{Price Adjustment} = \left\{ \left[(\text{FOB})_f \times 2.0\% \right] \left(\frac{\text{Actual Value \%} - \text{LCC Standard Value \%}}{1.0\%} \right) \right\}$$

Specimen Calculation

Example - Assumed $(\text{FOB})_f$ is 100 USD per MT and Actual TM is= 16 %

$$(-) \text{ Price adjustment} = 100 \times 2.0\% \times \frac{(16\% - 12\%)}{1.0\%} = \underline{\underline{8.0 \text{ USD}}}$$

No price adjustment shall be applied in case of measured total moisture content below the LCC Standard Value of 12%.

e) GRAIN SIZE.

i) Grain Size above 50mm

If for a given shipment of Coal, the actual percentage of grain size above 50 mm exceeds 3% by weight, then the Price shall be reduced in accordance with the following formula:

$$\text{Price Adjustment} = \left\{ \left[(\text{FOB})_f \times 0.05\% \right] \left(\frac{\text{Actual Value \%} - \text{LCC Standard Value \%}}{1.0\%} \right) \right\}$$

Specimen Calculation

Example - Assumed (FOB)_f is 100 USD per MT and Actual % above 50mm size is= 5%

$$(-) \text{ Price Adjustment} = 100 \times 0.05\% \times \frac{(5\% - 3\%)}{1.0\%} = \underline{0.1} \text{ USD/MT}$$

No price adjustment shall be applied in case of measured grain size 50 mm less than the LCC Standard value of 3%.

ii) Grain Size below 2mm

If for a given shipment of Coal, the actual percentage of grain size less than 2 mm exceeds **22.5%** and less than 30% by weight, then the unit Price shall be reduced in accordance with the following formula.

$$\text{Price Adjustment} = \left\{ \left[(\text{FOB})_f \times 0.01 \right] \left(\frac{\text{Actual Value \%} - \text{LCC Standard Value \%}}{1.0\%} \right) \right\}$$

Specimen Calculation

Example - Assumed (FOB)_f is 100 USD per MT and Actual % of less than 2mm size is= 30 %

$$(-) \text{ Price Adjustment} = 100 \times 0.01 \times \frac{(30\% - 22.5\%)}{1.0\%} = \underline{7.50} \text{ USD/MT}$$

No price adjustment shall be applied in case of measured grain size 2mm is less than the LCC **Standard** Value of 22.5%.

f) VOLATILE MATTER

If for a given shipment of coal, the actual Volatile Matter percentage between 25 and 35 by weight (including 25 and 35) there will be no penalty for a shipment of Coal.

i) Volatile Matter less than 25% by weight

If the actual Volatile Matter percentage of a given shipment is less than 25% by weight, then the Price of that shipment of Coal shall be reduced by an amount in accordance with the following formula.

$$\text{Price Adjustment} = \left\{ \left[(\text{FOB})_f \times 0.4\% \right] \left(\frac{25\% - \text{Actual Value \%}}{1.0\%} \right) \right\}$$

Specimen Calculation

Example - Assumed (FOB)_f is 100 USD per MT and Actual Volatile Matter 22 %

$$(-) \text{ Price Adjustment} = 100 \times 0.4\% \times \frac{25\% - 22\%}{1.0\%} = \underline{1.2} \text{ USD/MT}$$

ii) Volatile Matter greater than 35% by weight

If the actual Volatile Matter percentage of a given shipment is greater than 35% by weight, then the Price of that shipment of Coal shall be reduced by an amount in accordance with the following formula.

$$\text{Price Adjustment} = \left\{ \left[(\text{FOB})_f \times 1.0\% \right] \left(\frac{\text{Actual Value \%} - 35\%}{1.0\%} \right) \right\}$$

Specimen Calculation

Example - Assumed (FOB)_f is 100 USD per MT and Actual Volatile Matter is 39.9 %

$$(-) \text{ Price Adjustment} = 100 \times 1.0\% \times \frac{39.9\% - 35\%}{1.0\%} = \underline{\underline{4.90 \text{ USD/MT}}}$$

g) FREIGHT ADJUSTMENTS

Payment adjustment for Freight based on fuel cost.

Adjustment of the freight up to the Discharging Anchorage

The current cost of fuel in freight rate is estimated to be 22% of the overall cost. The initial base rate for freight shall be varied as follows:

$$F_f = (F_i * 0.22 * (E)_n / (E)_o) + (F_i * 0.78)$$

Where,

F	Base Freight rate
E	0.5% Very Low Sulphur Fuel Oil (VLSFO) price published in the monthly Platts BunkerWire Reports as the Index. For shipments from Indonesia, Far Eastern ports of Russia and Australia, Delivered Price of 0.5% Very Low Sulphur Fuel Oil (VLSFO) at Singapore shall apply. For shipments from Richards Bay Coal Terminal, South Africa, Delivered Price of 0.5% Very Low Sulphur Fuel Oil (VLSFO) at Colombo shall apply. <i>For shipments from Colombia, Delivered Price of 0.5% Very Low</i>
Suffix “i”	To denote Initial Base Freight Rate according to the Agreement
Suffix “f”	To denote applicable Freight Rate for the shipment
Suffix “o”	To denote mean of Platts Index Price (US\$) of 0.5% Very Low Sulphur Fuel Oil (VLSFO) at Colombo for the preceding month to the month, which includes Bid Closing Date, as the Base Bunker Price.
Suffix “n”	To denote mean of Platts Index Price (US\$) of 0.5% Very Low Sulphur Fuel Oil (VLSFO) at Singapore or Colombo or <i>Durban</i> as applicable for the preceding month to the month, which includes Bill of Lading Date of the relevant

23. METHOD OF QUALITY PRICE ADJUSTMENT IN CASE OF REJECTION OF COAL QUALITY ANALYSIS REPORT OF A SHIPMENT AT THE DISCHARGE PORT AS PER CLAUSE 13.

LCC STANDARD VALUES are mentioned in the **Table - 01** and LCC REJECT VALUES are mentioned in the **Table - 02**.

If the parameters listed in the “Table - 02, LCC REJECTS VALUES FOR COAL” of the coal shipment falls in to the LCC reject values as per the Discharge Port quality Certificates, LCC shall reduce the price as per bellow formulas.

- **CFR_f = FOB_f + bunker adjusted freight price**

a) GROSS CALORIFIC VALUE - (GCVar)

In the event of the actual GCV value of a given discharge port quality analysis certificate of a shipment is less than the LCC Reject Value (5900 Kcal), then the coal price shall be adjusted (reduced) according to the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 1.25] \left(\frac{\text{LCC Standard value} - \text{LCC Reject Value}}{\text{LCC Standard Value}} \right) \right\} + \left\{ [(\text{CFR})_f \times 1.25] \left(\frac{\text{LCC Reject Value} - \text{Actual Value}}{\text{LCC Standard Value}} \right) \right\} \times 2$$

Specimen Calculation

Example - Assumed

- * (FOB)_f Price = 100 USD per MT
- * (CFR)_f Price = 110 USD per MT
- * Actual GCVar = 5850 Kcal

$$(-) \text{ Price Adjustment} = \left\{ 100 \times 1.25 \times \frac{(6150 - 5900)}{6150} \right\} + \left\{ 110 \times 1.25 \times \frac{(5900 - 5850)}{6150} \right\} \times 2$$

$$\text{Total} = 5.08 + 2.24 = \underline{\underline{7.32 \text{ USD/MT}}}$$

b) SULPHUR CONTENT (S)

In the event of the actual Sulphur content of a given discharge port quality analysis certificate of a shipment is greater than the LCC Reject Value (>1%), then the coal shipment shall be rejected.

c) ASH CONTENT

In the event of the actual Ash content of a given discharge port quality analysis certificate of a shipment is greater than the LCC Reject Value (16%), then the coal price shall be adjusted (reduced) according to the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 0.8\%] \left(\frac{\text{LCC Reject Value \%} - \text{LCC Standard Value \%}}{1.0\%} \right) \right\} + \left\{ [(\text{CFR})_f \times 0.8\%] \left(\frac{\text{Actual Value \%} - \text{LCC Reject Value \%}}{1.0\%} \right) \right\} \times 2$$

Specimen Calculation

Example - Assumed

- * (FOB)_f Price = 100 USD per MT
- * (CFR)_f Price = 110 USD per MT

$$\begin{aligned}
 & * \text{ Actual Ash content} = 17\% \\
 (-) \text{ Price Adjustment} &= \left\{ 100 \times 0.8\% \frac{(16\% - 11\%)}{1.0\%} \right\} + \left\{ 110 \times 0.8\% \frac{(17\% - 16\%)}{1.0\%} \right\} \times 2 \\
 \text{Total} &= 4.00 + 1.76 = \underline{\underline{5.76 \text{ USD/MT}}}
 \end{aligned}$$

d) MOISTURE CONTENT (TM)

In the event of the actual total moisture (TM) percentage of a given discharge port quality analysis certificate of a shipment is greater than the LCC Reject Value (16%), then the coal price shall be reduced according to the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 2.0\%] \left(\frac{\text{LCC Reject Value \%} - \text{LCC Standard Value \%}}{1.0\%} \right) \right\} + \left\{ [(\text{CFR})_f \times 2.0\%] \left(\frac{\text{Actual Value \%} - \text{LCC Reject Value \%}}{1.0\%} \right) \right\} \times 2$$

Specimen Calculation

Example - Assumed

- * (FOB)_f Price = 100 USD per MT
- * (CFR)_f Price = 110 USD per MT
- * Actual Moisture content = 17%

$$\begin{aligned}
 (-) \text{ Price Adjustment} &= \left\{ 100 \times 2.0\% \frac{(16\% - 12\%)}{1.0\%} \right\} + \left\{ 110 \times 2.0\% \frac{(17\% - 16\%)}{1.0\%} \right\} \times 2 \\
 &= 8.0 + 4.40 = \underline{\underline{12.40 \text{ USD}}}
 \end{aligned}$$

e) GRAIN SIZE.

i) Grain Size above 50mm

In the event of the actual percentage of grain size above 50 mm of a given discharge port quality analysis certificate of a shipment is greater than the LCC Reject Value (5.0%), then the coal price shall be reduced according to the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 0.05\%] \left(\frac{\text{LCC Reject Value \%} - \text{LCC Standard Value \%}}{1.0\%} \right) \right\} + \left\{ [(\text{CFR})_f \times 0.05\%] \left(\frac{\text{Actual Value \%} - \text{LCC Reject Value \%}}{1.0\%} \right) \right\} \times 2$$

Specimen Calculation

Example - Assumed

- * (FOB)_f Price = 100 USD per MT
- * (CFR)_f Price = 110 USD per MT
- * Actual Grain Size = 7.0 %

$$\begin{aligned}
 (-) \text{ Price Adjustment} &= \left\{ 100 \times 0.05\% \frac{(5.0\% - 3.0\%)}{1.0\%} \right\} + \left\{ 110 \times 0.05\% \frac{(7.0\% - 5.0\%)}{1.0\%} \right\} \times 2 \\
 \text{Total} &= 0.1 + 0.22 = \underline{\underline{0.32 \text{ USD/MT}}}
 \end{aligned}$$

ii) Grain Size below 2mm

In the event of the actual percentage of grain size below 2 mm of a given discharge port quality analysis certificate of a shipment is greater than the LCC

Reject Value (30.0%), then the coal price shall be reduced according to the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 0.01] \left(\frac{\text{LCC Reject Value \%} - \text{LCC Standard Value\%}}{1.0\%} \right) \right\} + \left\{ [(\text{CFR})_f \times 0.01] \left(\frac{\text{Actual Value \%} - \text{LCC Reject Value\%}}{1.0\%} \right) \right\} \times 2$$

Specimen Calculation

Example - Assumed

* (FOB)_f Price = 100 USD per MT

* (CFR)_f Price = 110 USD per MT

* Actual Grain Size = 31.0 %

$$(-) \text{ Price Adjustment} = \left\{ 100 \times 0.01 \frac{(30.0\% - 22.50\%)}{1.0\%} \right\} + \left\{ 110 \times 0.01 \frac{(31.0\% - 30.0\%)}{1.0\%} \right\} \times 2$$

$$\text{Total} = 7.50 + 2.20 = \underline{\underline{9.70 \text{ USD/MT}}}$$

f) **VOLATILE MATTER (VM)**

In the event of a given shipment of coal, the actual Volatile Matter percentage less than 22% or more than 39.9% by weight there will be penalty for a shipment of Coal as bellow.

i) **Volatile Matter less than 22.0% by weight**

In the event of the actual percentage of Volatile Matter (VM) of a given discharge port quality analysis certificate of a shipment is less than the LCC Reject Value (22.0%), then the coal price shall be reduced according to the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 0.4\%] \left(\frac{25\% - \text{LCC Reject Value \%}}{1.0\%} \right) \right\} + \left\{ [(\text{CFR})_f \times 0.4\%] \left(\frac{\text{LCC Reject Value \%} - \text{Actual Value \%}}{1.0\%} \right) \right\} \times 2$$

Specimen Calculation

Example - Assumed

* (FOB)_f Price = 100 USD per MT

* (CFR)_f Price = 110 USD per MT

* Actual Volatile Matter = 21.0 %

$$(-) \text{ Price Adjustment} = \left\{ 100 \times 0.4\% \frac{(25.0\% - 22.0\%)}{1.0\%} \right\} + \left\{ 110 \times 0.4\% \frac{(22.0\% - 21.0\%)}{1.0\%} \right\} \times 2$$

$$\text{Total} = 1.2 + 0.88 = \underline{\underline{2.08 \text{ USD/MT}}}$$

ii) **Volatile Matter more than 39.9% by weight**

In the event of the actual percentage of Volatile Matter (VM) of a given discharge port quality analysis certificate of a shipment is greater than the LCC Reject Value (39.9%), then the coal price shall be reduced according to the following formula:

$$\text{Price Adjustment} = \left\{ [(\text{FOB})_f \times 1.0\%] \left(\frac{\text{LCC Reject Value \%} - 35\%}{1.0\%} \right) \right\} + \left\{ [(\text{CFR})_f \times 1.0\%] \left(\frac{\text{Actual Value \%} - \text{LCC Reject Value \%}}{1.0\%} \right) \right\} \times 2$$

Specimen Calculation

Example - Assumed

- * (FOB)_f Price = 100 USD per MT
- * (CFR)_f Price = 110 USD per MT
- * Actual Volatile Matter = 40.9 %

$$\begin{aligned} (-) \text{ Price Adjustment} &= \{ 100 \times 1.0\% \frac{(39.90\% - 35.0\%)}{1.0\%} \} + \{ 110 \times 1.0\% \frac{(40.90\% - 39.9\%)}{1.0\%} \} \times 2 \\ &= 4.90 + 2.2 = \underline{\underline{7.1 \text{ USD/MT}}} \end{aligned}$$

g) HARDGROVE GRINDABILITY INDEX (HGI)

- i) If the actual HGI value of a given shipment's Discharge Port / Reference Sample is greater than 59, then the Price of that shipment of Coal shall be reduced by USD 0.05 per one unit incremental of the above value as per the following formula.

$\text{Price Adjustment} = \{ 0.05 \times (\text{Actual Value} - \text{LCC Reject Value}) \}$

Example - Assumed HGI is 60

$$\begin{aligned} (-) \text{ Price Adjustment} &= 0.05 \times (60 - 59) \\ &= \underline{\underline{0.05 \text{ USD/MT}}} \end{aligned}$$

- ii) If the actual HGI value of a given shipment's Discharge Port / Reference Sample is less than 40, then the Price of that shipment of Coal shall be reduced by USD 0.05 per one unit decrease of the above value as per the following formula.

$\text{Price Adjustment} = \{ 0.05 \times (\text{LCC Reject Value} - \text{Actual Value}) \}$

Example - Assumed HGI is 39

$$\begin{aligned} (-) \text{ Price Adjustment} &= 0.05 \times (40 - 39) \\ &= \underline{\underline{0.05 \text{ USD/MT}}} \end{aligned}$$

h) ASH FUSION TEMPERATURE

Initial Deformation Temperature (IDT) and Fluid Temperature (FT)

- i) In the event of the actual value of IDT of a given discharge port quality analysis certificate of a shipment is lower than the LCC Reject Value 1,150, then the coal price shall be reduced according to the following formula:

$\text{Price Adjustment} = \{ 0.1 \times (\text{LCC Reject Value} - \text{Actual Value}) \}$
--

Example - Assumed IDT is 1,125 0C

$$\begin{aligned} (-) \text{ Price Adjustment} &= 0.10 \times (1,150 - 1,125) \\ &= \underline{\underline{2.50 \text{ USD/MT}}} \end{aligned}$$

- ii) In the event of the actual value of FT of a given discharge port quality analysis certificate of a shipment is lower than the LCC Reject Value 1,250 then the coal price shall be reduced according to the following formula:

$$\text{Price Adjustment} = \{ 0.1 \times (\text{LCC Reject Value} - \text{Actual Value}) \}$$

Example – Assumed FT is 1,225 °C

$$\begin{aligned} (-) \text{ Price Adjustment} &= 0.10 \times (1,250 - 1,225) \\ &= \underline{2.50} \text{ USD/MT} \end{aligned}$$

24. PRICE OFFER

The suppliers proposals shall be for CFR (Puttalam Anchorage) in USD or LKR* per MT of coal and financial costs in percentage (%) as per the format given below.

*In the event suppliers quote in LKR, Payment will be made only in LKR.

(Suppliers are not allowed to quote FOB Trimmed price only (at Load Port). Such bids will be rejected)

QUANTITY TO BE SUPPLIED ± 10% MT	DESCRIPTION	SUPPLIER'S OFFER FIXED PRICE OF COAL PER MT		
		Amount in figures		Amount in Words
		USD	LKR	
The supply quantity (720,000 MT)	1. FOB (Trimmed)			
	2. Freight up to the Puttalam Anchorage			
	3. CFR Price Per MT			
	4. Finance cost for offered credit period in percentage (%)			
Name of the Main Port of Loading				
Supplier Shall propose any no of alterative ports without any changes to the price or deviation from quality of coal offered as per the Table – 01 and Table – 02.				

Suppliers should include the CFR Puttalam anchorage, for the quality complied with the LCC's Standard Value as per Table -01 and Table - 02.

25. GENERAL SHIPPING TERMS

25.1 Southwest Monsoon Season (SMS)

Sri Lanka experiences annually a period of heavy rains, winds and increased wave height that can pose a potential hazard to discharging operations during the months from mid -May through mid- September. Therefore, it is expected that deliveries of Coal will be suspended during those months.

While the onset and duration of each year's SMS can vary, Buyer expects to receive the quantity ordered during an effective 7 month a year. Close cooperation between Buyer and Seller will ensure the complete and safe delivery of Coal under the Agreement.

25.2 Shipping Documents

Seller shall electronically send following shipping documents to the buyer within 5 working days after departure of each vessel from the Load Port. In the event that the Load ports/Anchorages are Indonesia then the above time shall be within 5 days after departure of each vessel from the Load Port/Anchorage.

- (a) Commercial Invoice
- (b) Bill of Lading
- (c) Certificate of Sampling and Analysis of Quality
- (d) Draft Survey Reports
- (e) Certificate of Weight
- (f) Certificate of Hold Cleanliness
- (g) Certificate of Origin
- (h) Beneficiary's Certificate.

The Seller shall send the originals of those documents in following numbers to Buyer.

- (a) Commercial Invoice (2 originals + 2 copies)
- (b) Bill of Lading (3 originals + 3 copies)
- (c) Certificate of Sampling and Analysis of Quality (2 originals +2 copies)
- (d) Draft Survey Reports (2 originals each +2 copies)
- (e) Certificate of Weight (2 originals +2 copies)
- (f) Certificate of Hold Cleanliness (2 originals +2 copies)
- (g) Certificate of Origin (1 original +2 copies)
- (h) Beneficiary's Certificate (1 original +2 copies)
- (i) Buyer's Letter of Confirmation / Acceptance (1 original +2 copies)

However, any cost (delay in issuing the NOR / delay in commencing the discharging operation / custom declaration and formalities but not limited to) incurred due to delay in receipt of shipping documents shall be on account of the seller.

Sales Terms

Seller shall be responsible for arrangements up to the Delivery Point in accordance with the Terms and Conditions of the Agreement FOBT basis or CFR basis by sea up to the Discharging Anchorage.

25.3 Vessels Nomination ;

General Speciation

- (a) Vessel name (including former name/s if any)
- (b) Age of vessel
- (c) IMO number
- (d) Vessel type, Class and Classification Society, P&I Club, year built and Flag
- (e) DWT, LOA, NRT, GRT, Beam, Draught and DWLTHC (Air Draft)
- (f) Number and capacities of Cranes and Grabs. The Crane and Grab capacities shall be minimum 30 MT and 10 CBM, respectively
- (g) Number of Holds and Hatches
- (h) ETA at load port and current position
- (i) Estimated cargo intake
- (j) Demurrage / Dispatch rate

Vessels Specification ;

The Vessels to be nominated by Seller shall be single -deck and of suitable size to lift the agreed cargo parcel size (of **60,000 MT -10% or +25% at buyer's option**) between the Buyer and Seller, aged less than 15 years, tight, staunch, strong and in every way fitted for the voyage, and shall be **geared and grabbed** (with hydraulic grab bucket or superior type). Oil/Bulk/Ore combined carrier is not acceptable. In case the Vessel has any problem incurred due to Vessel's equipment, it is the Seller's responsibility for the time / cost required to settle such problem.

Vessel size is limited to **geared and grabbed, 60,000 MT -10% or +25%** due to restrictions at port of Puttalam since coal has to be unloaded to self-propelled barges of capacity 1500 MT amidst stringent environmental control.

Demurrage Rate

The Demurrage Rate declared by the Seller for each vessel / shipment at the time of nomination of the vessel shall be in par with the market rates.

Demurrage Rate shall be not exceeded the Average Trip Charter Rate per day for Supramax vessels, as reported in the Shipping Intelligence Weekly Reports published by the *Clarkson Research Services Limited*, as the Index for charter market, one week prior to the vessel nomination date.

Protection and Indemnity (P&I)

The performing Vessel shall have the necessary Protection and Indemnity (P&I) Insurance covering following liabilities acceptable to the Sri Lanka Ports Authority or any other relevant local authority(s);

- a) Wreck removal
- b) Port / Jetty property damages liabilities
- c) Oil pollution
- d) Crew liabilities
- e) Cargo liabilities
- f) Third-party liabilities

Failure to meet the one or many of the above conditions shall be considered as fundamental breach or default of the Agreement.

The Buyer shall, within one (01) working day after receipt of such notice, confirm the acceptance of the nominated vessel to the Seller.

In case the Buyer decides to reject the nomination, due to non-compliance with one or more of the conditions set out in clause 25.3, the rejection shall be informed stating the reason for such rejection of the nominated vessel, within 01 working day after the receipt of the nomination.

After the receipt of the rejection intimation from Buyer, Seller shall nominate another suitable vessel (within one (01) working day) promptly.

Buyer shall confirm acceptance of the newly nominated vessel within one (01) working day, subject to compliance with the xx above, after receipt of such fresh nomination from the Seller.

The Seller shall have the right to substitute the vessel accepted by the Buyer, if the need arises. However, seller should ensure that the substitute vessel should meet the criteria set out in the 25.3 above.

The Vessel shall be capable of discharging Coal into the SPBs at a rate not less than 10,000 MT per Weather Working Day of 24 Consecutive Hours Saturdays, Sundays and Holidays included (pwwd 24ch sshinc).

The Buyer shall guarantee Discharge Rate of 10,000 MT of pwwd 24ch sshinc at the anchorage except on charter party holidays indicated below.

Charter party Holidays in Sri Lanka

- 01 (one) day for National Day 04th February
- 01 (one) day for Holy Prophet's Birth Day to be declared each year in April
- 01 (one) day for Sinhala/Tamil New Year to be declared each year in April
- 01 (one) day for May Day 01st May
- 01 (one) day for Vesak Full moon Day to be declared each year in May
- 01 (one) day for Christmas 25th December

Compliance with Marine Regulations

The Seller shall ensure that the performing Vessel shall comply with all applicable laws and regulations such as International Convention for the Prevention of Pollution (MARPOL), International Ballast Water Management Convention etc. whether promulgated by governmental authorities or by authorized private organization (s) of the Terminals at which she calls.

If the vessel fails to comply, the Seller shall be liable for all losses, expenses and responsibilities thus incurred and shall indemnify and defend Buyer, its agents, officers and employees against, and shall hold them free and harmless from, any and all losses, expenses, liabilities and claims of any kind and character arising from the failure on the part of the Vessel, her master and crew to comply with any such laws and regulations.

26. SHIPPING TERMS ON CFR BASIS UP TO THE DISCHARGING ANCHORAGE

The following provisions shall govern the shipping arrangements on CFR terms up to the Discharging

Anchorage:

- (a) Delivery Terms shall be 'Free-Out' basis.
- (b) Delivery Shall be according to the Delivery schedule

26.1 Seller's Responsibilities

Vessel Nominations

- a) All vessel nominations by seller shall be as per specifications and conditions set out in clause 25.3.

Loading Arrangements at the Port of Loading

- i. In the event of a Vessel is being loaded during a time of precipitation, Seller shall ensure that the shipmaster closes all cargo holds.
- ii. Seller shall ensure that the master loads the cargo into the holds as evenly as possible as per agreed pre stowage plans and acts in accordance with the International Marine Organization (IMO) regulations, recommendations and memoranda whatsoever prepared by IMO or other international organization or Protection and Indemnity Clubs or any governmental agencies, and takes necessary measures to prevent the cargo from overheating.
- iii. Seller shall also be responsible for proper trimming and stowage of cargo to the satisfaction of the shipmaster.
 - a. As soon as possible after the completion of loading of the Vessel, Seller shall inform Buyer by email or telefax the tonnage of Coal loaded, time of completion of loading, departure time from the Port of Loading and estimated time of arrival (ETA) at the anchorage at the discharge port.
 - b. Thereafter Seller shall ensure that the master of the Vessel provides by email not less than seven (07), five (05) and three (03) days' notice, and not less than twenty four (24), eight (08), three (03) and one (01) hours' notice of the Vessel's estimated time of arrival at the discharging anchorage at the port of Puttalam.
 - c. In approaching Discharging Anchorage at the port of Puttalam the Master shall keep at least 30 km off the Western coastal line of Sri Lanka. This distance need to be maintained up to the anchoring point since Fishery Harbors are located along this line and fishermen frequently utilize this area for fishing activities.

Discharging Terms and Conditions

- a. Master of the vessel shall tender Notice of Readiness (NOR) to discharge at any time day or night Saturday, Sunday, holidays included by email / telefax, after safely anchoring at the designated anchorage and is in all respects ready to

discharge the cargo, whether Customs cleared or not and whether in free pratique or not. Master shall tender the NOR to the Agent with a copy to the Buyer for making arrangements for discharging.

- b.** For Notice of Readiness purposes, if a vessel tenders NOR without having the International Ship and Port Facility Security (ISPS) clearance, then the Notice of Readiness shall be re-tendered once ISPS clearance is received.
- c.** Laytime shall commence after the Turn Time of twelve (12) consecutive hours after NOR is tendered by the Master. However, if discharging is commenced before the expiry of the Turn Time of 12 hour period, laytime shall commence to run count from the time of commencement of discharging proportionate to the number of Gangs worked. Prorating of the laytime used to the number of Gangs worked shall be within the Turn Time of 12 hours only.
- d.** Laytime or time on demurrage shall cease to count after cargo discharging at the anchorage is completed. Time taken for the initial and final draft surveys shall not count as laytime or time on demurrage.
- e.** Only two (02) ships can be anchored at the port of Puttalam at any given instance of time. Therefore, if the Master is advised by the agent to wait outside the limits of the port of Puttalam (eg. at the out port limit (OPL) anchorage of the port of Colombo), Master shall tender NOR upon anchoring at such out port limits; and the laytime shall count after the Turn Time of 18 hours from the time of tendering of NOR from out port anchorage.
- f.** In the event the master tenders NOR outside the port limits as aforesaid, the time taken from anchor aweigh at such out port anchorage until the time of anchoring at the designated Discharging Anchorage at the port of Puttalam shall not count as laytime or time on demurrage.
- g.** In the event the vessel is anchored at an out port anchorage (Colombo / Galle / Hambantota) solely for the purpose of supplying bunkers / lubricants / provisions / fresh water etc. to the vessel, such time shall not count as laytime or time on demurrage.
- h.** In the event such supplies are made at the discharging anchorage of Puttalam concurrently during discharging of Coal without disruption to the cargo discharging operations or on the advice of the Agent to anchor the vessel at OPL anchorage of Colombo laytime or time on demurrage shall count.

Duration of breakdown of ship's cranes during discharging operations shall not count as laytime. The effect on laytime due to the breakdown of ship's cranes shall be calculated on a pro rata basis in accordance with the number of ship's cranes in breakdown in proportion to the total number of ship's cranes.

In the event shifting within the Discharging Anchorage at the port of Puttalam area is necessary at the discretion of the seller after the vessel has anchored at the point of discharge, shifting time shall not count as laytime or time on demurrage and the costs incurred for the shifting shall be borne by the Seller. However in the event shifting

within the discharge anchorage is necessary at the discretion of the buyer then laytime shall continue.

In the event Vessel's discharging is interrupted due to bad weather (including typhoon, strong wind, raining, high wave etc.), any time lost shall not count as laytime Unless vessel is on Demurrage.

If the event one or more vessels are waiting at Puttalam Anchorage, weather delay periods affecting the laytime of the vessel under discharging and recorded in the SOF of the discharging vessel, can be deducted from the waiting ships' laytime, only until the time of expiry of laytimes of the respective waiting vessels.

In the event if a Vessel is Arrested or Detained by the Authorities at the load port or discharge port, laytime shall not count from the time of such Warrant for Arrest or Detention Order is served onboard the vessel until the time of releasing the vessel from the Arrest or Detention.

All charges / dues payable to Sri Lanka Port Authority, consolidated customs charges to the Sri Lanka Customs and Shipping Agency Fees at the port of discharge on Vessels and / or Coal shall be on the Seller's account. The seller shall bear all costs related to the Vessels up to the Puttalam Discharging Anchorage other than the cargo discharging expenses incurred within Sri Lanka.

Seller shall ensure that the Master / vessel shall comply with all the Regulations of the International Maritime Organization (IMO) as well as local Regulations of the Port State Control (Director General of Merchant Shipping), Sri Lanka Ports Authority (SLPA), Marine Environment Protection Authority of Sri Lanka (MEPA), Sri Lanka Navy (SLN), Sri Lanka Customs (SLC) etc.

Buyer shall be responsible for arranging arrival and departure formalities on arrivals and on the completion of discharging respectively.

All the Vessels shall vacate from the Discharging Anchorage at the port of Puttalam promptly after completion of the discharging and Departure Formalities. In the event Seller fails to act accordingly, and such delays prevent other waiting Vessel(s) from anchoring, and which as a result adversely affects the efficient use of the Discharging Anchorage at the port of Puttalam and the Jetty, Seller shall compensate Buyer for all losses, damages, expenses and/or liability against on Buyer's prior notification and presentation of evidence of having incurred such losses, damages, expenses and/or liability caused thereby or resulting thereof. In the event the need arises to discharge other vessel(s), then without Buyer's prior notification to seller, Buyer has the right to order and to have the Vessel towed off the anchorage, at Seller's risk and expenses. Seller shall be responsible for all losses and damages incurred therefrom as a result of delay or failure.

26.2 Mother Vessel Demurrage

Demurrage Rate

The Demurrage Rate declared by the Seller for each vessel / shipment at the time of nomination of the vessel shall be in par with the market rates.

Demurrage Rate shall be justifiable by the Seller to the Buyer based on the Average Trip Charter Rate per day for Supramax vessels, as reported in the Shipping Intelligence Weekly Reports published by the *Clarkson Research Services Limited*, as the Index for charter market and *Platts Monthly Bunkerwire* as the Index for bunker prices. Both indices shall be the preceding month to month, which includes the first date of each laycan.

In the event that the discharging of a shipment of coal is not completed before the expiry of the laytime allowed, the Buyer shall pay Demurrage to the Seller at the Demurrage Rate declared for the shipment as per the laytime calculations to be mutually agreed in accordance with the Statement of Facts (SOF) signed by the Master, Agent and the Supervisor of the Stevedoring & Lightering Contractor of the Buyer.

In the event that the discharging of a shipment of coal is completed before the expiry of the laytime allowed, the Seller shall pay Despatch money for the all laytime saved to the stevedores (lightering service provider) through the Buyer as per the laytime calculations to be mutually agreed in accordance with the SOF. The basis for calculation of despatch money shall be as follows. - at 50% of the agreed Demurrage rate at the time of nomination for the shipment

All claims for demurrage, in respect of the discharging of Vessel shall be settled and paid within thirty (30) days after receiving the invoice.

Compliance with Marine Regulations

The Seller shall ensure that the performing Vessel shall comply with all applicable laws and regulations such as International Convention for the Prevention of Pollution (MARPOL), International Ballast Water Management Convention etc. whether promulgated by governmental authorities or by authorized private organization (s) of the Terminals at which she calls.

If the vessel fails to comply, the Seller shall be liable for all losses, expenses and responsibilities thus incurred and shall indemnify and defend Buyer, its agents, officers and employees against, and shall hold them free and harmless from, any and all losses, expenses, liabilities and claims of any kind and character arising from the failure on the part of the Vessel, her master and crew to comply with any such laws and regulations.

Buyer's acceptance of nomination of a Vessel shall in no way relieve the Seller or his sub Sellers of responsibility for failing to comply with the requirements stipulated in this Sub-clause.

26.3 Agent at Discharge Port

The Seller shall appoint his shipping agent for the discharge port. If Buyer is of the opinion that the shipping agent appointed by Seller is incompetent, Buyer may, by notice to Seller, require that such agent to be replaced. Seller shall act accordingly without delay.

27. DRAFT SPECIMEN FOR CERTIFICATE OF UNLOADING (COU) (AS PER THE LOADING PORT CERTIFICATES)

Peoples Bank

SWIFT:

Attn: *Name and Address of suppliers*

DATE:

.....

SERIAL NO.: LCC/22/PROP/x/xxx/COU/xx

TENDER REF.

NO: LCC/22/TT/2

PARTICULARS OF CONSIGNMENT

1. a) No. (LC/NRRA/EA):		b) BL No.:		c) BL Date:	
2. Name of Beneficiary			
3. a) Total BL weight of coal (MT):		b) Name of the vessel :			
4. Beneficiary's Commercial invoice a) Number: b. Date: c. 100% of FOBT Value US\$:					
5. Awarded Price US \$/MT				
6. Adjusted Price US \$/MT (..... x /) (Index Price for preceding month to BL date = \$...../MT) (Index Price for preceding month of Bid Opened date = \$...../MT)				
7. Price Adjustment for Quality (Per MT)					
Quality Parameters	LCC Standard Value	LCC Reject Value	Load Port Value	Acceptance (Yes or No)	
				Yes	No
a. Gross Calorific Value (kcal/kg)	6,150	<5,900			
b. Sulphur (%)	0.5	>1			
c. Ash (%)	11	>16			
d. Moisture (%)	12	>16			
e. Volatile Matter (%)	31	<22- >39.9			
f. Size (as per loading port) Above 50mm (%)	3	>5			
g. Size (as per loading Port) Below 2mm (%)	22.5	>30			
h. Hardgrove Grindability Index	50	<40->59			
i. Ash Fusion Temperature (AFT)	1250	<1150			
j. Fluid Temperature (F.T))	1325	<1250			
8. Acceptance of the coal quality of the vessel (Yes / No)					

This is to confirm that the Vessel MV xxxxxx's coal quality is acceptable in compliance with Table 01- and Table 02 of this document. Accordingly, inform the master of the vessel that coal is allowed to be unloaded / discharged at the Puttalam Anchorage.

**Thanking You,
Yours Faithfully,**

.....
Chairman / Managing Director

28. DRAFT SPECIMEN LETTER OF CONFIRMATION FOR THE FINAL PAYMENT

Peoples Bank

SWIFT:

Attn: *Name and Address of suppliers*

DATE:

SERIAL NO.: LCC/22/PROP/x/xxx/LOC/xx
PARTICULARS OF CONSIGNMENT

Contract REF. NO: LCC/22/TT/2

1. a) LC/NRRA/EA No:		b) BL No.:		c) BL Date:.....	
2. Name of Beneficiary:					
1. a) Total weight as Discharged port report (MT):.....			b) Name of the vessel :.....		
2. Beneficiary's Commercial invoice					
a. Number:		b. Date:		c. 100% of FOB Value US\$:	
3. Awarded Price US \$/MT					
6. Adjusted Price US \$/MT (xxxx X xxxx / xxxx) (Index Price for preceding month to BL date = xxxx/MT) (Index Price for preceding month of Bid Opened date = \$xx/MT)					
7. Price adjustment	LCC Standard Value	LCC Reject Value	Load Port Value	Discharge Port Value	Acceptance Yes/No
a. Gross Calorific Value (kcal/kg)	6,150	<5,900			
b. Sulphur (%)	0.5	>1			
c. Ash (%)	11	>16			
d. Moisture (%)	12	>16			
e. Volatile Matter (%)	31	<22,>39.9			
f. Size Above 50mm (%)	3	>5			
g. Size Below 2mm (%)	22.5	>30			
h. Hardgrove Grindability Index	50	<40,>59			
i. Ash Fusion	1250	<1150			
j. Flow (Fluid)	1325	<1250			
8. TOTAL PRICE ADJUSTMENT FOR QUALITY (a+b+c+d+e+f+g+h+i+j) US\$ per MT					
NET UNIT PRICE AFTER QUALITY ADJUSTMENT US\$/MT (6+8)					
9. Summary of Payment					
a. Total Shipment Value after quality adjustments for Discharge port Report (..... MT X USD.....) US\$					
b. Total Freight Payment (..... MT x USD) USD					
c. Finance costs per MT (..... MT x USD) USD					
d. Total Payment US\$ -(a + b +c)					
e. Other Adjustments (if any)					
a) Demurrages stipulated in Clause Schedule 3 – Part C Clause 10.2					
b) Different amounts in respect of quality adjustment of reference sample stipulated in Clause 3.5.3.					

Please release the following payment for the above LC/NRRA/EA.

USD: (United State Dollars..... Only.)

.....
Chairman / Managing Director