**Subject: Methodology for fixing Upfront Payment and Reserve** Price

**for Allotment of Coal Mines/Blocks for sale of coal to** PSUs

**under the Coal Mines (Special Provisions) Act, 2015.**

The undersigned is directed to refer to Rule 8 (3) of the Coal Mines

(Special Provisions) Rules, 2014 and Section 8 (5) of the Coal Mines (Special

Provisions) Act, 2015 and to say that the Central Government has approved

the methodology for fixing Upfront Payment and Reserve Price for Allotment

of Coal Mines/Blocks for sale of coal to PSUs under the Coal Mines (Special

Provisions) Act, 2015 as mentioned below:-

**"Upfront Payment for Allotment:** The Intrinsic Value of the coal block will

be calculated by computing its Net Present Value (NPV), based on

Discounted Cash Flow (DCF) method. The 10 % of this intrinsic value will be

payable upfront in 3 installments of 5%, 2.5% and 2.5% as prescribed in the

allotment document. This is similar to the methodology used for calculation

of upfront payment for coal mines/blocks allotted to the Government

Companies for specified end-uses.

Reserve Price **for allotment:** A reserve price equivalent to the amount of

the royalty on coal as per prevalent rate shall be payable on per tonne basis

to the relevant coal bearing State Government as per actual production of

coal by the successful allottee including the allottees in the State of West

Bengal where royalty is prescribed in Rs. per tonne. The amount will be

calculated as per the extant / prevailing rate of royalty ad-valorem on price

of coal as reflected in the invoice, excluding taxes, levies and other charges.

The statutory royalty and other levies payable on coal will continue to be

governed as per extant rules."