EAST COAST RAILWAY

Office of the
Chief Commercial Manager
Bhubaneswar

Commercial Circular No.51(G)/2017 Date.31.03.2017

Sub: Long Term Tariff Contract (LTTC) with Key Customers using pre-determined price escalation principle.

Enclosed please find herewith Railway Board's letter No.TCR/1078/2016/14 dtd.30.03.2017 (Rates Circular No.14 of 2017) on the above subject for information and necessary action.

All concerned to note and act accordingly.

Authority: Railway Board's letter No.TCR/1078/2016/14 dtd.30.03.2017
{Rates Circular No.14 of 2017}

Encl: 30 Pages

(P.K.Samal)
Dy. Chief Commercial Manager (FS)

No.CCM/Policy–LTTC/375/Pt-I Dt.31.03.2017

All Station Managers/ Goods Supervisors/Commercial Supervisors /Siding Clerks / Booking Clerk in Charges / Weigh Bridge Clerks / Clerk in Charges .

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(P.K.Samal)
Dy. Chief Commercial Manager (FS)

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भारत सरकार (GOVERNMENT OF INDIA)
रेल मंत्रालय (MINISTRY OF RAILWAYS)
रेलवे बोर्ड (RAILWAY BOARD)

No.TCR/1078/2016/14 New Delhi, dated 30.03.2017

The General Managers
All Indian Railways.

Sub: Long Term Tariff Contract (LTTC) with Key Customers using pre-determined price escalation principle.

This policy is issued in compliance of the announcement made by Hon'ble MR in the Railway Budget Speech 2016. Details of the policy are as under:

1.0 Introduction

This policy of Long Term Tariff Contract (LTTC) is first of its kind and shall provide certainty in the logistic operations for the railways as well as the customers. The customers entering into long term contracts with railways shall bring assured traffic to the railways and in turn they get assurance of certainty in tariff rates as well as freight rebate on fulfilment of certain conditions as detailed in the policy.

2.0 Objectives

The main objectives of this policy are to ensure:

2.1 Long term freight revenue commitments from the customers.
2.2 Stability and certainty of freight rates to the customers and assured supply of wagons.
2.3 Generation of additional traffic volumes and revenues for railways.

3.0 Definitions

In this policy, the following words/ expressions shall, unless repugnant to the context or meaning thereof have the meaning hereinafter respectively assigned to them:

1. **"Gross Freight Revenue" (GFR)** means total freight revenue offered by the customer for the transportation of commodities. GFR of a customer will be derived by adding GFR of the different commodities. Hence, GFR= gfr1+ gfr2+ gfr3+... where 1,2,3 ... represent different commodities. GFR is inclusive of surcharges and other applicable charges, if any, but excluding all types of taxes

2. **"Minimum Guaranteed Gross Freight Revenue" (MGGFR)** means the annual minimum gross freight revenue committed by the customer for each individual Financial Year of the Agreement. The MGGFR would normally be higher for each subsequent year with pre-agreed annual incremental growth for the entire period of the Agreement.

3. **"Actual Gross Freight Revenue" (AGFR)** means the total revenue realized by Railway from a customer for transportation of commodities by way of freight charges including surcharges and other charges, if any but excluding all types of taxes.

4. **"Benchmark Gross Freight Revenue" BGFR** means the revenue over which the incremental growth of GFR would be calculated. For the first year, BGFR shall be the actual GFR achieved during the previous twelve months and from second year onwards, it shall be equal to the MGGFR of preceding year.

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5. **"Floor rate"** means the minimum chargeable rate payable after granting rebate/ all concurrent concessions, under any freight incentive scheme/ schemes including this Agreement.

6. **"Incentive"** means benefit in freight charges or any other additional facility being granted to the Customer under the Agreement.

7. **"Freight rebate"** means freight concession granted by way of refund paid in lump-sum based on fulfilment of certain agreed performance parameters over a period of time.

8. **"New Traffic"** refers to the traffic loaded by a new customer coming to railway for the first time in the current year.

9. **"Rail co-efficient"** means the percentage share of railways in the total dispatches by the Customer.

10. **"Normal Tariff Rate" (NTR)** refer to the total charges for transport of a commodity inclusive of the Base Freight Rate as published in Goods Tariff plus Demand Management Charges like Busy Season Surcharge, Congestion Charge (if any) and Supplementary Charge as applicable on various transportation products. Other charges like Development Charge, Terminal charge, punitive charges for over loading, and penal charges for mis-declaration will be levied on NTR.

11. **"Budgetary Freight increase/ change"** shall mean the freight increase/ change in Base Freight Rates, any other applicable charges, or class of commodities announced in the Budget.

12. **"Previous year"** shall mean the previous 12 months period before the date of commencement of the Agreement.

13. **"Terminal"/"Siding"** refers to a private siding, assisted siding, railway siding, goods shed, PFT, port siding where the goods/ traffic of the customer are dealt.

4.0 Excluded commodities

a. All commodities with classification below Class-100
b. Coal & Coke
c. Iron ore
d. Military traffic, POL and RMC
e. Container Traffic
f. Automobile Traffic

5.0 Eligibility Criteria

5.1 The Customer willing to come under this scheme of LTTC, shall be eligible only if he/she is already loading or giving traffic of at least one Million Tonnes per annum (outward or both outward & inward as the case may be as per the agreed terms) in the previous year as defined above.

5.2 "New Traffic" refers to the traffic loaded by a new customer coming to railway for the first time in the current year. In case of new traffic i.e. new entrant to rail transportation, the customer shall be eligible to enter into this Scheme if they commit to provide traffic of more than three Million Tonnes over the entire Agreement period and at-least one Million Tonne during the first year itself.

5.3 The customer coming under this scheme shall not be eligible to avail concurrent concessions/ rebate under any other scheme except 6% concession applicable to traffic booked to and from NE Region, TEFD and concession for loading of bagged consignment in open and flat wagons as per the terms and conditions of these policies. In addition, a customer coming under this scheme (LTTC) is also eligible to avail

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discounts on account of assisted sidings policy, various wagon investment schemes and terminal development scheme, as these three schemes are not freight incentive scheme. However, after all the rebate including the rebate under LTTC, the net freight should not be less than freight applicable to Class-100.

5.4 The traffic which is currently availing concession/ rebate under three scheme viz. STS scheme, Freight Forwarder scheme and concession to short lead traffic shall not be considered for rebate as well as GFR under LTTC. This means that if a customer is getting benefit under these discount schemes for a part of traffic then that traffic will be excluded from LTTC scheme.

6.0 The Applicable Conditions/ Features of LTTC Policy

6.1 Zonal Railways shall enter into an Agreement with the customer incorporating the features of these Guidelines.

6.2 Agreement can be entered into with Zonal Railways as mentioned below:

6.2.1 If a customer has terminals in multiple zonal railways, he can enter into agreement with each individual zonal railway, subject to the condition that he should have offered a minimum of 1 million tonne per annum traffic to that zonal railway.

6.2.2 If the customer desires to have one agreement for all his terminals spread over multiple zones then he shall enter into the agreement with the zone to which he is offering the maximum traffic.

6.2.3 He can enter into individual agreements with some zones and at the same time, can also have multi zone agreement for the traffic not covered in the individual agreements.

6.2.4 While entering into an Agreement, care may be taken to ensure that all the plants within a Zonal Railway operated by the customer are included in the agreement. This would prevent shifting of traffic from one location to another within a Zone merely for the sake of seeking concessions without any additional traffic to railway.

6.3 Proposal under this scheme shall be submitted by the Authorised representative of the company to the office of Chief Commercial Manager of the Zone with whom the Agreement is proposed to be signed. CCM of that Zone shall process the proposal in consultation with COM and FA&CAO and finalise the same with the personal approval of General Manager. On behalf of the Zonal Railways, Chief Commercial Manager shall sign the Agreement and will be the executing authority.

6.4 In case of multi Zonal Agreement, CCM of the Zone handling maximum traffic will sign the Agreement. CCMs of the other zones, whose traffic will be included in the agreement, will sign the Agreement, as witness. FA&CAO of the contract signing zone shall also act as a witness at the time of signing the Agreement under LTTC.

6.5 The customer entering into Agreement with Railways under this scheme shall provide Minimum Guaranteed Gross Freight Revenue (MGGFR) with a commitment to increase the freight revenue from the existing level. An illustration is given below:

Illustration:
A customer desiring to enter into an Agreement under this policy guarantees revenue i.e. MGGFR of Rs.600 crore in three years (Assuming agreement is for 3 years period), the customer shall give break up of year wise revenue such as Rs.100 crore in the first year, Rs.200 crore in the second year and Rs.300 crore in the third year. Similar increase would have to be provided for the third year onwards if agreement is for more than three years. The MGGFR for each year shall become BGFR for next year. For first year, BGFR shall be AGFR of the previous twelve months.

6.6 MGGFR for each year would be given by the party by adding up the revenue of total traffic of all the commodities to be offered to railways for the entire agreement

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period. Railway would account for the total MGGFR given by the party for all commodities for purpose of fulfilment of MGGFR for each year without bothering for the details of the individual commodities loaded/offered by the customer.

6.7 MGGFR for each year should increase by minimum 5% annually. This means that MGGFR for first year should be at least 5% more than AGFR of previous twelve months. MGGFR of the second and the third year should be at least 5% more than the MGGFR of the preceding year.

6.8 For the purpose of calculating AGFR, either the freight received from outward traffic or sum of inward and outward freight traffic of the Customer from its various terminals/ sidings/ plants shall be reckoned. While calculating AGFR, restricted commodities shall not be taken into consideration. It must be ensured that a particular stream of traffic is not accounted twice. For a given RR, either a consignor or consignee can avail the concession. In case both consignor and consignee are under LTTC, then the concession for that RR shall be granted only to the consignor. Since RR number is a unique code, CRIS should develop necessary safeguards to ensure that each RR is accounted for only once for the purpose of calculating AGFR. Further to avoid duplicate accounting of a particular stream of traffic, each customer who enters into Agreement with Railways under this scheme shall be given an unique contract ID and any booking by them Inward or Outward shall carry this unique contract ID in the RR.

6.9 The Agreement shall not be for less than 3 years and shall not be extended for more than five years in total.

6.10 Railway shall grant rebate as per the graded rebate structure as given in the Table-I on AGFR realised by the railway. The percentage of rebate shall be based on the incremental growth in AGFR over and above the BGFR.

6.11 In case data for the corresponding period of the previous year is not available (due to delay in data finalisation etc.), then pro-rata adjustment of the GFR for the month/ months for which data is not available shall be made i.e. of the 12 months of previous year, if data is available only for 10 months, then the same data shall be extrapolated on pro-rata basis for 12 months to arrive at yearly benchmark figure.

7.0 The graded rebate (on AGFR) on the basis of the percentage incremental growth in GFR offered by the customer over and above the benchmark GFR is given below:

Table-I : Rebate structure

Scenario	Percentage increase in Gross Freight Revenue (GFR) over and above the benchmark GFR	Rebate on Actual Gross Freight Revenue (AGFR)* (%)
1.	0 - <=5	0
2.	>5 - <=10	1.5
3.	>10 - < =15	2.5
4.	>15 - <=20	5
5.	>20 - <=30	7.5
6.	>30 - <=40	10
7.	>40 - <=50	12.5
8.	>50 - <=60	15
9.	>60 - <=70	17.5
10.	>70 - <=80	20
11.	>80 - <=90	25
12.	>90 - <=100	30
13.	>100	35

*GFR shall be the basis for calculating the rebate.

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7.1 The availability of rebate under this scheme shall be subject to MGGFR for that year being met by the customer. For the first year, incremental growth in revenue shall be the percentage growth in actual GFR over the GFR of the previous twelve months. From second year onwards, MGGFR of preceding year committed by the customer at the time of signing the Agreement shall become the benchmark GFR and the rebate shall be granted on the incremental growth over and above this BGFR.

7.2 The rebate accrued in a year under this scheme shall be granted as refund immediately within 45 days after completion of each year.

7.3 In case of zonal/ multi zonal agreement, the zone which is signing the Agreement will process the case for rebate and refund the amount to customer. FA&CAO of the agreement signing zone will be the payee officer for the rebate in this scheme. In case of multi zonal agreement, the accountal for the distribution of the rebate amount amongst the participating zonal railways will be ensured by FA&CAO of agreement signing zone through adjustment.

7.4 In case of any increase in freight rate during a year, the freight increase shall be implemented from next year onwards only. To neutralise the impact of freight increase on AGFR, the MGGFR and BGFR of that year will be adjusted as per the following formula:

Modified MGGFR = MGGFR for the commodity/commodities X %age change in freight rate of that commodity/commodities.

Modified BGFR = BGFR for the commodity/commodities X % age change in freight rate of that commodity

8.0 Railway shall make all out efforts to supply wagons on priority basis against the indents placed by the customer and if need be, develop a Preferential Traffic Order. However, the customer shall load/ unload its consignments within the free time specified.

9.0 Price Escalation Principle

9.1 Under the scheme, the customer shall be offered a fixed freight rate as prevalent (at that date) during the beginning of the each year of the agreement period. It means that increase in freight rates by railway administration mid-way in a year shall not be passed on to the customer for that year of the agreement period. The change will be effected from the beginning of next year of the agreement.

***Illustration**: Suppose, an agreement under LTTC is for three years from 01.07.2017 to 30.06.2020. The freight rate applicable from 1st July 2017 to 30th June 2018 will be the rate prevalent on 1st July 2017. This rate will not change mid-way. Suppose, Railway changes freight rates and increased it by 4%* (budgetary or general) *in August 2017, then this rate will be applicable from 1st July 2018 only.*

10.0 Rebate in case of Retention of Traffic

10.1 Under this policy, the rebate shall also be granted on retention of traffic at the same level as of the previous year's AGFR. The Companies who are already carrying a very high volume of traffic on rail and offering a huge amount of GFR, a certain percentage of rebate shall also be offered to such Companies on the absolute GFR offered by them, for retention of traffic, if they enter into a Contract with Railways. This shall be in addition to the rebate available on the incremental percentage growth in GFR offered by the Company.

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10.2 The rate of rebate for retention of traffic shall vary according to the slabs of total volume of traffic corresponding to the AGFR given as per the rebate structure given in the table (Table-II) subject to previous year's AGFR being met. The current year's AGFR cannot be lower than the AGFR given during the previous year. The rebate is subject to the customer giving revenue equal to or more than the AGFR of the previous year and will be based upon the slab in which the corresponding absolute quantum of traffic offered by a customer falls.

Table-II: Rebate on total volumes

Scenario-I	Total volume of traffic (MT)	Rebate on corresponding freight revenue(%)
I.	0 - 5	Nil
II.	>5 <=10	0.5
III.	>10 <=15	1.0
IV.	>15 <=20	1.5
V.	>20 <=25	2.0
VI.	>25 <=30	2.5
VII.	>30 <=35	3.0
VIII.	>35 <=40	3.5
IX.	>40 <=45	4.0
X.	>45 <=50	4.5
XI.	>50	5.0

10.3 The illustration indicating the calculation of rebate under the scheme is given in the Annexure-A attached with the circular.

11.0 For new traffic (i.e. new entrant) during the first year, the customer shall be eligible for a flat 2.5% rebate on the GFR subject to the fulfilment of the prescribed condition for new traffic. From the 2nd year onward the rebates would apply as per the percentage increase in freight revenue compared to previous year's freight revenue as per the freight rebate structure.

12.0 **Arbitration:** In the event of any question, dispute or difference arising out of or under this Contract in connection therewith (except as to matters, the decision to which is specifically provided under this Contract) the same shall be resolved by amicable settlement failing which the matter will be referred to the Sole Arbitrator appointed by the Competent Authority i.e. General Manager of concerned Zonal Railway. The arbitration shall be conducted in accordance with the provisions of Arbitration and Conciliation Act, 1996 as amended in 2015 and the Rules made thereunder. The decision of the Arbitrator shall be final and binding upon the parties.

13.0 **Termination of Agreement:** Both parties to the Agreement have the right to terminate the agreement by serving a letter of termination on the other party by giving 3 months notice, in case of continuous default or it appears that other party is not complying with terms of Agreement. In such a situation, the customer shall not be entitled to any rebate for the year in which the Agreement is terminated.

14.0 **Renewal of Agreement**: The Contract can be renewed with re-negotiated terms/conditions between Railways and the Company after expiry of the term of earlier contract to the satisfaction of both parties. The renewal would be done on mutually negotiated terms as per rules prevalent at the time of renewal of contract.

15.0 **Role of FOIS/CRIS**

15.1 The rebate structure shall be system built and shall be calculated/ managed automatically by the FOIS system. Each customer who enters into Agreement under

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LTTC with Railways will be given a unique contract ID and any booking by them Inward or Outward will carry this unique contract ID on the RR.

15.2 Freight revenue or volume of traffic is easily traceable since RR issued by the FOIS system records the RR amount and the tonnage with unique ID.

15.3 CRIS shall develop a software to implement this policy. The railway shall furnish relevant data to CRIS.

15.4 CRIS will give monthly report to Railway Board regarding progress of the scheme.

16.0 A copy of Model Draft Contract is attached at Annexure-B.

17.0 Zonal Railways will give wide publicity to this policy through print and electronic media.

18.0 This issues in consultation with Traffic Transportation Directorate and with the concurrence of Finance Directorate in the Ministry of Railways.

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(Lata Kumari)
Director, Traffic Commercial(Rates)
Railway Board

No.TCR/1078/2016/14 New Delhi, dated 30.03.2017

FA & CAOs, All Indian Railways
Dy. C&AG (Rlys.), Room No.222, Rail Bhawan, New Delhi

30/3/17

***for* Financial commissioner (Railways)**

No.TCR/1078/2016/14 New Delhi, dated 30.03.2017

Copy for information and necessary action to:-

1. Chief Commercial Managers, All Indian Railways.
2. Chief Operations Managers, All Indian Railways.
3. Managing Director, CRIS, Chanakya Puri, New Delhi-23
4. The Chief Administrative Officer, FOIS, Northern Railway, Camp: CRIS, Chanakya Puri, New Delhi-23.
5. Managing Director, Konkan Railway Corporation, Belapur Bhavan, Sector-11, CBD Belapur, New Mumbai-400614.
6. Director General, National Academy of Indian Railways, Vadodara.
7. Director, Indian Railways Institute of Transport Management, Campus: Hardoi Bye Pass Road, Village & Post office: Kanausi, Manaknagar, Lucknow.
8. GS/IRCA, New Delhi.
9. Secretary, Railway Rates Tribunal, 5, P.V.Cherian Road, Crecent Road, Egmore, Chennai-600105

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(Lata Kumari)
Director, Traffic Commercial (Rates)
Railway Board)

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TT-III, F(C) Branches of Railway Board.

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Illustration

In the illustration given below, the following assumptions have been made:

- Hypothetical Example of Cement Company 'A' has been taken which is interested in entering into Contract with Railways under LTTC policy.
- The Company 'A' has its seven plants with sidings in three zonal railways i.e. SER(2 plants/sidings), SCR(3 plants/sidings) and SR(2 plants/sidings).
- Company is interested in having one contract for all the plants/sidings in the three zonal railways instead of zone wise separate contracts.
- It is assumed that the Company deals with outward traffic of cement and inward traffic of gypsum, coal, iron ore and clinker and wants to enter into Contract for outward as well as inward traffic.

  Note: i) It is assumed that the Company gives maximum traffic (inward and outward both) from SCR, hence the Contractshall be signed by SCR

  ii) Coal and Iron ore being restricted commodities under this policy shall not be eligible for rebate

- The Company desires to enter into a Contract for three years from April-March i.e. 2017-18, 2018-19 & 2019-20.
- The Company shall submit detailed proposal to CCM of SCR giving GFR (of all three Railways) offered to Railways during previous 12 months i.e. April-March 2016-17 and also projections for Minimum Guaranteed Gross Freight Revenue (MGGFR) for next three years i.e. 2017-18, 2018-19 & 2019-20, under LTTC policy.
- CCM/SCR shall arrange to feed the details in the format designed by CRIS and generate a report on the basis of zones, commodities selected for GFR for previous 12 months (total as well as zone-wise & commodity wise).
- On the basis of this data, CCM/SCR shall scrutinize the proposal, in consultation with COM/SCR and FA&CAO/SCR. If the proposal is found acceptable, the personal approval of General Manager shall be taken. After approval, CCM/SCR shall issue authorisation letter to the Company advising him to sign the Contract for LTTC.

  Note: If the proposal is not approved, a reject letter may be issued to the Company, indicating the reasons.

- After signing of the Agreement, the same shall be governed by the software developed by CRIS.
- The LTTC shall be implemented by the system as per the following procedure:
- It is assumed that the Company has given total traffic of 10 million tonnes (inward and outward, excluding coal) from all the three Zonal Railways and Gross Freight Revenue i.e. GFR of ₹ 1000 crore in April-March 2016-17.

  Note: GFR is sum total of gfr (cement) + gfr (clinker) + gfr (gypsum).

- For first year i.e. 2017-18, the previous 12 months GFR (i.e. ₹ 1060 crore) will be the Benchmark GFR. From second year onward i.e. 2018-19, the MGGFR of the

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previous year i.e. for 2018-19 the MGGFR of 2017-18, shall act as Benchmark GFR and so on.

Note: For arriving at the Benchmark GFR for the first year, previous 12 months i.e. April 2016 – March 2017 GFR figures have been assumed. However, as normally figures for previous two months i.e. February and March 2017 would not be available normally due to time gap in compilation etc., the average monthly GFR figures of 10 months from April 2016 to January 2017 have been extrapolated on pro-rata basis for two months and consolidated GFR figures of full year have been assumed for illustration purpose.

- The MGGFR given by the Company shall be the sum total of projected GFRs of all commodities, inward and outward, i.e. GFR= gfr1(cement) +gfr2(clinker) +gfr3(gypsum) and so on. Railways will not be concerned with variations in gfrs of individual commodities and will be concerned only with total projected GFRs i.e. MGGFRs

- MGGFR for each year should increase by minimum 5% annually. This means that MGGFR for first year should be at least 5% more than AGFR of previous twelve months. MGGFR of second and third year, should be at least 5% more than the MGGFR of the preceding year

- It is assumed that freight is increased (budgetary or general) by 4% in the middle of the first year of operation i.e. from October 2017 but as per policy (Para 10.1) it becomes applicable from the second year i.e. from 1st April 2018 onwards only. It is assumed that there is no further price increase during the contract period.

Note: It is assumed in the illustration that the freight has been increased uniformly by 4% for all the four commodities under consideration. However, if there is increase in freight of only one commodity or there is increase in freight of different commodities by different percentages then the freight increase from next year shall be made applicable to that specific commodity or commodities only by their respective percentages of variations. Similarly, the freight increase neutralisation shall be done by applying the formula on each commodity i.e. previous years' GFR (for that particular commodity) adjusted for freight increase =previous year's GFR x percentage increase in freight for the commodity/commodities in which freight increase has taken place. This will be done to arrive at pure incremental percentage growth in freight due to factors other than freight increase. Similar exercise shall be done to adjust the GFR in case of decrease in freight rates.

- Two components of rebate as mentioned in the policy have been worked out in the illustration i.e.

  (i) Rebate on absolute amount of GFR corresponding to the volume of traffic subject to AGFR of previous year being met; and

  (ii) Rebate on percentage incremental growth in GFR (subject to MGGFR of that being met).

The conditions of the LTTC are:

- The rebate shall be granted on annual basis.

- The Rebate shall be granted on AGFR

- The Rebate is subjected to condition that GFR after rebate shall not be less than the freight of class-100.

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Illustrations:

- Company enters into agreement for 3 years (2017-18 to 2019-20)
- Company 'A' has given traffic of 10 million tonne and GFR of ₹ 1000 Cr. in previous 12 months i.e. 2016-17 and gives projection for MGGFR for next three years as below :
- For clarity sake four different scenarios have been worked out on the basis of above broad assumptions. In situation A, B, & C, it is assured that no freight rate changes have taken place during contract period. In situation 'D', the LTTC is implemented with 4% freight rate increase from 2nd year onwards.

Year	Year of Contract	MGGFR	Benchmark GFR	Corresponding Tonnage (in MT)
2016-17		₹1000 cr.*		
2017-18	1st year	₹1100 cr.	₹ 1000 cr.	11
2018-19	2nd year	₹1200 cr.	₹ 1100 cr.	12
2019-20	3rd year	₹1300 cr.	₹ 1200 cr.	13

*Previous 12 months GFR

Company will get GFR linked rebates under LTTC under different scenarios as follows:

Situation A **GFR linked Rebate**

Year	Year of Contract	MGGFR (₹ in Cr. from all plants)	BGFR ₹in Cr.)	Actual GFR (AGFR) (₹ in Cr.)	% growth in GFR	% rebate on AGFR	Rebate (₹ in Cr.)	Gross Volume of Traffic (GVT) corresponding to AGFR (in MT)	% rebate on absolute AGFR as per rebate slab of GVT	Rebate (in ₹ Cr.)	Total rebate (in ₹ Cr)
1	2	3	4	5	6	7	8	9	10	11	12 (8+11)
2016-17		1000*									
2017-18	1st year	1100**	1000+	1100	10	1.5	16.50	11	1	11	27.50
2018-19	2nd year	1200**	1100+	1200	9.09	1.5	18.00	12	1	12	30.00
2019-20	3rd year	1300**	1200+	1400	16.67	5	70.00	14	1	14	84.00

** Actual GFR of previous 12 months.*
*** MGGFR for 1st , 2nd & 3rd year*
+ BGFR. The BGFR for 1st year is AGFR of previous 12 months and for 2nd & 3rdyear, it is MGGFR of the preceding year.
Note: (i) The percentage Rebate (col.- 7) shall be available to the customer in all the three years as MGGFR has been met.
(ii) In addition the customer shall also get percentage rebate (col.-11) on the absolute GFR (corresponding to the range of rebate slab in which the Gross Volume of Traffic falls).
(iii) MGGFR for each year should increase by minimum 5% annually. This means that MGGFR for first year should be at least 5% more than AGFR of previous twelve months. MGGFR of second and third year, should be at least 5% more than the MGGFR of the preceding year.

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Situation B

GFR linked Rebate

Year	Year of contract	MGGFR (in ₹ Cr. From all plants)	BGFR (in ₹ Cr.)	Actual GFR (AGFR) (in ₹ Cr.)	% growth in GFR	% Rebate on AGFR	Rebate (in ₹ Cr.)	Gross Volume of Traffic (GVT) corresponding to AGFR (in MT)	% rebate on absolute AGFR as per rebate slab of GVT	Rebate (in ₹ Cr.)	Total rebate (in ₹ Cr.)
1	2	3	4	5	6	7	8	9	10	11	12 (8+11)
2016-17		1000*									
2017-18	1st year	1100**	1000+	1150	15	2.5	28.75	11.5	1	11	40.25
2018-19	2nd year	1200**	1100+	1180	7.27	0++	0.00	11.8	1+++	11.8	11.8
2019-20	3rd year	1300**	1200+	1400	16.67	5	70.00	14	1	14	84.00

Assumption same as in situation 'A' above

** Actual GFR of previous 12 months i.e. Benchmark GFR (BGFR) for first year*

*** MGGFR.*

+ BGFR. The BGFR for 1st year is AGFR of previous 12 months and 2nd & 3rd year. It is MGGFR of the preceding year.

++ In the second year, MGGFR has not been achieved and therefore rebate shall not be granted.

+++Rebate of 1% has been granted on total volume based GFR as the GFR of ₹ 1180 crores is more than the preceding year's AGFR i.e. ₹ 1150 crores even though no rebate on incremental growth has been given due to MGFR not being met.

Situation C

GFR linked Rebate

Year	Year of Contract	MGGFR (in ₹ Cr. From all plants)	BGFR (in ₹ Cr.)	Actual GFR (AGFR) (in Rs. Cr.)	% growth in GFR	% rebate on AGFR	Rebate (in ₹ Cr.)	Gross Volume of Traffic (GVT) corresponding to AGFR (in MT)	% rebate on absolute AGFR as per rebate slab of GVT	Rebate (in ₹ Cr.)	Total rebate (in ₹ Cr.)
1	2	3	4	5	6	7	8	9	10	11	12 (8+11)
2016-17		1000*									
2017-18	1st year	1000	1000	1000	0	0	0.00	10	0.5	5	5.00
2018-19	2nd year	1000	1000	900	-10	0	0.00	10	0	0	0.00
2019-20	3rd year	1000	1000	1100	10	1.5	16.50	10	0.5	5.5	22.00

**Actual GFR of previous 12 months*

Assumption:

- *Customer guarantee to provide 'Retention' GFR of ₹ 1000 Crores during each year of the contract agreement period.*
- *Rest of the assumption same as A & B above*

Note:

(i) *In the first year as the customer has attained MGGFR, without any incremental growth, he is eligible for rebate on absolute AGFR according to the corresponding rebate slab of gross volume of traffic for retention.*

(ii) *In the second year, as the retention GFR i.e. GFR of previous year (₹ 1000 cr.) is not met, hence no rebate has been granted.*

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(iii) In the third year, the customer has not only met the MGGFR (₹ 1000 cr.), but also provided incremental AGFR and hence has been granted both the rebates i.e. rebate based on absolute GFR and incremental GFR.

Situation 'D'

Freight increase neutralisation

In the above scenarios, the different Rebates have been worked out without any element of freight rates changes. However, in illustration 'D', we have assumed that in the middle of the 1st year (2017-18) freight rates of all the commodities included in the Contract undergo 4% increase. As per policy (para 7.3), this freight increase shall be applicable in the 2nd year i.e. from 1st April, 2018-19. Growth in AGFR on account of freight rates change shall not be considered for grant of concession and for this the BGFR of that particular year shall be adjusted for freight rates increase by applying following formula:

BGFR of the commodity/commodities in the current year adjusted for price escalation = BGFR for the commodity/commodities X percentage change in freight rate of that commodity/commodities

In the assumed scenario (4% increase in freight rates across commodities), the Rebate shall be worked out as follows:

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Situation D

GFR linked Rebate

Year	Year of contract	MGGFR (in ₹ Cr. From all plants)	BGGFR (in ₹ Cr.)	% Increase in freight rates during the period#	MGGFR adjusted for increase in freight Rate	BGGFR adjusted for increase in freight Rate that year**	Actual GFR (AGFR) (in ₹ Cr.)	% growth in GFR	% rebate on AGFR	Rebate (in ₹ Cr.)	Gross Volume of Traffic (GVT) corresponding to AGFR (in MT)	% rebate on absolute AGFR as per rebate slab of GVT++	Rebate (in ₹ Cr.)	Total rebate (in ₹ Cr.)	Total GFR after rebate
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15 (11+14)	16(8-15)
2016-17		1000*													
2017-18	1st year	1100	1000		1100		1100	10.0	1.5	16.50	11	1	11.00	27.50	1072.50
2018-19	2nd year	1200	1100	4%	1248	1144	1248	9.1	1.5	18.72	12.0	1	12.48	31.20	1216.80
2019-20	3rd year	1300	1200		1352	1248	1404	12.5	2.5	35.10	13.5	1	14.04	49.14	1354.86

Assumptions: Same as in A, B & C above

 # Additional assumption, freight rates increase by 4% across commodities in middle of first year i.e. 2017-18 to be implemented from beginning of 2nd year i.e. 2018-19 of contract. This 4% increase will result in change in MGGFR & hence BGGFR for all the years in which hike is effected i.e. 2018-19, 2019-20 & so on.

* *AGFR of previous 12 months.*

** *BGFR of 2018-19 & 2019-20 adjusted due to freight increase in 2017-18. The adjusted BGFR will be reckoned for the purpose of arriving at incremental growth in AGFR during that particular year*

++The Rebate on absolute AGFR shall be granted as per the rebate slab corresponding to the range of Gross Volume Traffic (GVT) subject to proceeding year's AGFR being met. If AGFR in current year is less than the AGFR of previous year the rebate shall not be granted.

In the above example both the rebates have been granted (col.-10 & 14) as conditions have been met.

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LONG TERM TARIFF CONTRACTS (LTTC) WITH KEY CUSTOMERS USING PRE-DETERMINED PRICE ESCALATION

THIS SERVICE Contract (the "Contract") is entered into at [.] on this..... day of [.] between the President of India acting through.... Zonal Railway (here-in-after referred to as.....Railway, with its Headquarter at....., expression shall, unless repugnant to the subject or context thereof, include their successors, transferees, novatees and assigns) of the FIRST PART AND

2. A company incorporated under the Companies Act, 1956, having its registered office at[.], (here-in-after referred to as the "Company") which expression shall, unless repugnant to the subject or context thereof, include their successors, transferees, novatees and assigns) of the SECOND PART.

(The Company and Indian Railways are here-in-after individually referred to as a "Party" and collectively referred to as the "Parties").

3. WHEREAS the COMPANY..... has agreed to provide guaranteed freight revenue to Railways and Railways have agreed to evacuate the traffic so offered by the Company by providing wagons and connected services through their respective Commitments on the terms and conditions mutually agreed by and between the parties, as contained herein.

NOW THIS CONTRACT WITNESSETH AND IT IS HERE-BY AGREED BY AND AMONG THE PARTIES HERE-TO AS FOLLOWS:

ARTICLE- 1: DEFINITIONS AND INTERPRETATIONS

Section 1.1 Definitions:

In this Contract, the following words of expressions shall, unless repugnant to the context or meaning thereof have the meaning hereinafter respectively assigned to them:

1. **"Company"** shall mean.....
2. **"Railway/ Zonal Railways"** shall mean.....Railway/Railways as per reference in this Contract
3. **"Division/Divisions"** shall mean the.....Division/Divisions of the..... Zonal Railway/ Railways on the Indian Railways.
4. **"Affected party"** shall have the meaning set out in Article 10.1 of this Contract.
5. **"Contract"** means this Contract, and any amendment there-to made in accordance with the provisions contained in this Policy i.e. LTTC
6. **"Contract/appointed date"** means the date of signing this Contract.
7. **"Contract/commitment period"** means the total period for which the parties enter into Contract i.e. from the period/date of commencement of the operations under the Contract and ending of the same on the termination date.

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8. **"Gross Freight Revenue"(GFR)** means the total freight revenue realized by railway from the company by transportation of all commodities i.e. sum total of gfr1+gfr2+gfr3.....(with **gfr1, gfr2, gfr3 ..... being gross freight revenue from different commodities)** and so on by way of freight charges including surcharges and other charges, if any, but excluding all types of taxes.

9. **"Minimum Guaranteed Gross Freight Revenue" (MGGFR)** means the annual minimum gross freight revenue committed by the Company for each individual Year of the Contract. The MGGFR would normally be higher for each subsequent year with pre-agreed annual incremental growth for the entire period of the Contract (except in case of retention of traffic) i.e.....years, from .....to.....at price escalation rate / principle quoted in Para 1.1 (23). The MGGFR given by the customer shall be the sum total of projected GFRs of all commodities, inward and outward, i.e. GFR=gfr1+gfr2+ gfr3 +gfr4 and so on (in case company has opted for inward and outward traffic both to be included in contract). Railways will not be concerned with variations in gfrs of individual commodities and will be concerned only with total projected GFRs i.e MGGFR for each year.

10. **"Actual Gross Freight Revenue" (AGFR)** means the total revenue realized by Railway from a company for transportation of commodities by way of freight charges including surcharges and other charges, if any but excluding all types of taxes.

11. **"Benchmark Gross Freight Revenue" (BGFR)** means the revenue over which the incremental growth of GFR would be calculated. For the first year, BGFR shall be the actual GFR achieved during the previous twelve months and from second year onwards, it shall be the same as the MGGFR of the preceding year.

12. **"Floor rate"** means the minimum chargeable rate payable after granting discount/rebate/all concurrent concessions, under any freight incentive scheme/schemes including under this Long Term Tariff Contract Scheme.

13. **"Incentive"** means benefit in freight charges or any other additional facility being granted to the Customer under the Contract.

14. **"Freight rebate"** means freight concession granted by way of refund paid in lump-sum based on fulfillment of certain agreed performance parameters over a period of time.

15. **"New Traffic"** refers to the traffic loaded by a new customer coming to railway for the first time in the current year.

16. **"Contract implementation / commencement date"** shall refer to the date from which the Contract becomes enforceable and freight operations commences.

17. **"Plant capacity"** means the total installed capacity of the plant/plants of the company/customer to produce output with given resources in a Financial Year.

18. **"Plant Production"** means the actual output produced by the plant/plants of the company with given resources during the Financial Year.

19. **"Rail co-efficient"** means the percentage share of railways in the total volume of traffic (inward as well as outward as the case may be) of the Company.

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20. **"Freight Traffic"** means the bulk cargo, liquid cargo and any other cargo indented to railways for movement on its system.

21. **"Change in freight policy"** means change in any rules, regulations, notifications, freight rates, including change in interpretation, repeal, modification or corrigendum to any existing policy.

22. **"Normal Tariff Rate (NTR)"** refer to the total charges for transport of a commodity inclusive of the Base Freight Rate as published in Goods Tariff plus Demand Management Charges like Busy Season Surcharge, Congestion Charge (if any) and Supplementary Charge as applicable on various transportation products. Other charges like Development Charge, Terminal charge, punitive charges for over loading, and penal charges for mis-declaration will be levied on NTR.

23. **Price escalation principle:**

Under the scheme, the company shall be offered a fixed freight rate as prevalent (at that date) during the beginning of the each year of the Contract period. It means that increase in freight rates by railway administration mid-way in a year shall not be passed on to the company for that year of the Contract period. The change will be effected from the beginning of next year of the Contract.

Illustration: *Suppose, a Contract under LTTC is for three years from 01.07.2017 to 30.06.2020. The freight rate applicable from 1st July 2017 to 30th June 2018 will be the rate prevalent on 1st July 2017. This rate will not change mid-way if there is any change in freight rate between 1st July 2017 to 30th June 2018. Suppose, Railway changes freight rates and increases it by 4%* (budgetary or general) *in August 2017, then this rate will be applicable from 1st July 2018 onwards only.*

24. **"Long Term Tariff Contract at pre-determined price escalation principle with the Minimum Guaranteed Gross Freight Revenue linked rebate rate"** shall mean the Contract signed between Zonal Railway and.....on..... for a period of ..... from.....to..... under which price escalation rate will be determined as per Para 1.1(23). The Company would get two types of a Gross Freight Revenue linked freight rebates on the Actual Gross Freight Revenue given to Railways i.e.

i) **Rebate on AGFR based on percentage incremental growth in GFR (subject to MGGFR for that year being met (Annexure-I); and**

ii) **Rebate on absolute amount of GFR corresponding to slabs of range of volume of traffic subject to previous year's AGFR being met (Annexure-II).**

25. **"Disbursement/Refund period for the purpose of Rebate period"** refer to a year as per the Contract entered between parties i.e. the refund shall be granted as on annual basis.

26. **"Budgetary Freight increase/change"** shall mean the freight increase/change in base freight rates, any other applicable charges, or class of commodities announced in the Budget.

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27. **"General freight increase"** shall mean the increase in base freight rate, any other applicable charges or class of commodity/commodities announced during the year (other than in the Budget).

28. **"First year"** shall mean period of twelve months commencing from the date of commencement of the Contract.

29. **"Second year"** shall mean period of twelve months commencing after completion of the First year.

30. **"Third year"** shall mean period of twelve months commencing after completion of the second year and so forth.

31. **"Financial year"** shall mean the period commencing on 1st April of one calendar year and ending on 31st March of the subsequent calendar year.

32. **"Calendar year"** shall mean the period commencing on 1st January of a calendar year and ending on 31st December of the same calendar year.

33. **"Previous year"** shall mean the previous 12 months period before the commencement of the Contract.

34. **"Force Majeure"** or **"Force Majeure event"** shall mean an act, event, condition or occurrence as specified in Article 10 of this Contract.

35. **"GOI"** means the Government of India.

36. **"Operations"** shall mean all activities associated with train movement, train running, loading and unloading freight, and storage of consignments etc.

37. **"Railways"** shall have the meaning prescribed under the Railways Act, 1989.

38. **"Termination date"** means the date on which Contract between Railways and the Company expires or is terminated in accordance with the Contract.

39. **"Refund amount"** for the purpose of this Contract shall mean the amount of freight on account of rebate to be refunded to the party after the completion of the year for which the same accrues.

40. **"Terminal"/ "Siding"** refers to a private siding, assisted siding, railway siding, goods shed, PFT, port siding where the goods/traffic of the Company are dealt.

ARTICLE 2- SCOPE OF THE SERVICES

Section 2.1 Services:

2.1.1. Subject to the terms and conditions contained in this Contract, Railways hereby agree to provide freight incentives in the form of rebate on the total gross freight revenue in return, for the commitment to provide Minimum Guaranteed Gross Freight Revenue during the year/years of the contract period. On fulfillment of MGGFR, the Company shall be provided rebate as per Para 1.1.24 (i & ii).

2.1.2 For the purpose of the Minimum Guaranteed Gross Freight Revenue, either the revenue from outward traffic or both the inward and the outward freight traffic on

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account of the Company from its various terminals/sidings/plants shall be taken into account as per the details worked out in the Contract. This shall not include restricted commodities as well as the traffic mentioned in Para 5.4 of the LTTC policy.

2.1.3 It must be ensured that a particular stream of traffic is not accounted for twice i.e. it may be inward traffic for one and outward traffic for another company with both entering into contract with Railway. To avoid **duplicate accounting** of a particular stream for discount purpose, each customer who enters into contract with Railways will be given **unique ID** and any booking by them Inward or Outward will carry this unique ID. In case both consignor and consignee are under LTTC then the concession for that RR shall be granted only to the consignor.

2.1.4 Under this scheme, the growth in AGFR on account of freight rate change shall not be considered for grant of concession. To give effect to this principle, BGFR * and MGGFR of that year shall be adjusted as per the following formula:

Modified MGGFR = MGGFR for the commodity/commodities X percentage change in freight rate of that commodity/commodities.

Modified BGFR = BGFR for the commodity/commodities X percentage change in freight rate of that commodity.

** Note: If there is an increase in freight of only one commodity or there is increase in freight of different commodities by different percentages then the freight increase from next year shall be made applicable to that specific commodity or commodities only by their respective percentages of variations. Similarly, the freight increase neutralization shall be done by applying the formula on each commodity i.e. current years' BGFR (for that particular commodity) adjusted for freight increase = current year's BGFR x percentage increase in freight for the commodity/commodities in which freight increase has taken place. Similar exercise shall be done to adjust the BGFR in case of decrease in freight rates.*

2.1.5 To avail rebates under this scheme company shall have to give revenue in excess of MGGFR. For the first year, incremental growth in revenue shall be the percentage growth in actual GFR over the GFR of the previous twelve months (i.e. Benchmark GFR for first year). From the second year onwards, MGGFR committed by the company at the time of signing of Contract shall become the Benchmark GFR (BGFR) for the next year and the rebate shall be granted on the incremental growth over this BGFR.

2.1.6 MGGFR for each year should be increased by minimum 5% annually. This means that MGGFR for first year should be at least 5% more than AGFR of previous twelve months. MGGFR of second and third year, should be at least 5% more than the MGGFR of the preceding year.

2.1.7 The Company would be eligible for freight rebate on the Actual GFR for a particular year, only if the MGGFR is achieved for the relevant period i.e. that year, as per Contract.

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2.1.8 For the purpose of taking total MGGFR, total freight earning from various combinations as mentioned below can be accounted for by the Company entering into contract with Zonal Railways.

2.1.8.1 If a Company has terminals in multiple zonal railways, it can enter into Contract with each individual zonal railway, subject to the condition that it should have offered a minimum of 1 million tonne per annum traffic on that zonal railway.

or

2.1.8.2 If the Company desires to have one Contract for all its terminals spread over multiple zones, then the zone from which it is offering the maximum traffic will enter into the Contract,

or

2.1.8.3 The Company can enter into individual Contracts with some zones and at the same time, can also have multi zone Contract for the traffic not covered in the individual Contracts.

2.1.8.4 While entering into a Contract, care shall be taken to ensure that all the plants within a Zonal Railway operated by the Company are included in the Contract. This would prevent shifting of traffic from one location to another within a Zone merely for the sake of seeking concessions without any additional traffic to railway.

Section 2.2 Rebate on absolute Gross Freight Revenue corresponding to total Volume of Traffic

2.2.1 Under this policy, the rebate shall also be granted on retention of traffic at the same level as that of the previous year i.e. AGFR. The Companies who are already carrying a very high volume of traffic on rail and offering a huge amount of GFR, a certain percentage of rebate shall also be offered to such Companies on the absolute Gross Freight Revenue offered by them, for retention of traffic, if they enter into a Contract with Railways. This shall be in addition to the rebate available on the incremental percentage growth in GFR offered by the Company.

2.2.2 The rate of rebate for retention of traffic shall vary according to the slabs of total volume of traffic corresponding to the AGFR as per the rebate structure given in the table (**Annexure-II**) subject to previous year's AGFR being met. The current year's AGFR cannot be lower than the AGFR given during the previous year.

2.2.3 All applicable charges will be levied as per rules.

2.2.4 The Company coming under this scheme shall not be eligible to avail concurrent concessions/rebate under any other scheme except 6% concession applicable to traffic booked to and from NE Region, TEFD and concession for loading of bagged consignment in open and flat wagons as per the terms and conditions of these policies. In addition, a Company coming under this scheme (LTTC) is also eligible to avail discounts on account of assisted sidings policy, various wagon investment schemes and terminal development scheme, as these three schemes are

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not freight incentive schemes. However, after all the rebates including the rebate under LTTC, the net freight should not be less than freight applicable to Class-100.

2.3.1 The Company shall not have the right to use the services for any other purposes other than defined in the scope of the services.

2.3.2 The Company..... entering into and accepting the terms and conditions as mentioned in this Contract, becomes eligible for Wagon Supply on priority basis , as per the pre-committed pre-agreed loading/unloading schedules given/indented by the Company. If need be the Zonal Railway shall carry out suitable changes in the preferential traffic order priority in consultation with Board.

Section 2.4 Refund

2.4.1 The rebate accrued in a year under this scheme shall be granted as refund immediately within 45 days after completion of each year.

2.4.2 CCM of the Zone will process for the refund of the rebate. FA&CAO of the Zone will be the payee officer for the rebate under LTTC.

2.4.3 In case of zonal/multi zonal agreement, the zone which is signing the Agreement will process the case for rebate and refund the amount to customer. FA&CAO of the agreement signing zone will be the payee officer for the rebate in this scheme. In case of multi zonal agreement, the accountal for the distribution of the rebate amount amongst the participating zonal railways will be ensured by him/her through adjustment.

Section 2.5 Service period/tenure:

2.5.1 The validity/term of this Contract shall be for a mutually agreed period which can range from three to five years starting from the commencement/implementation date of operation of this Contract i.e. from .....

2.5.2 This Contract shall come into force from the commencement/implementation date of operation i.e..... and shall be valid till the termination date i.e.....

ARTICLE 3- INTERPRETATION

In this Contract, a reference to any Contract/circular refers to that Contract/circular as amended, replaced, novated or supplemented.

ARTICLE 4 – REPRESENTATION AND WARRANTIES OF THE PARTIES

Section 4.1 Representation and warranties by the Company:

The Company shall assure each of the following representations, warranties and undertakings on an affidavit:

4.1.1 The Company is legally incorporated under the Laws of India and has been properly constituted.

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4.1.2 The obligations of the Company under this Contract constitutes legally valid, binding and enforceable obligations against the Company in accordance with the terms thereof and it has power and authority and has taken all actions necessary to execute its obligations under this Contract.

4.1.3 No sums in cash or kind, have been paid or promised to, or accepted by any person or will be paid to, or accepted by, any person or on its behalf by way of fees, commission or otherwise to induce Railways to enter into this Contract, or to keep this Contract in continuance, except as provided for in this Contract.

4.1.4 The information furnished in the application and as updated on or before the date of this Contract is true and accurate in all respects as on the date of this Contract.

4.1.5 The Company has willingly entered into this Contract with Railways and pursuant to the letter of acceptance, has unconditionally accepted the terms and conditions set forth in this Contract and has advised the Railways accordingly.

4.1.6 It has not withheld from Railways, any material, information or material document, whose non-disclosure would have a material adverse effect or would have adversely affected the evaluation or acceptance of the applications submitted by the Company.

4.1.7 The Company is familiar with the service offered by Railways, its future prospects, the risks involved and has conducted its own diligence.

4.1.8 Save and accept what is stated herein, neither the Railways nor the Govt. of India or any of their agents, attorneys, representatives, officers or employees have made any representations or warranties regarding the service to be provided by Indian Railways.

Section 4.2 Representation and warranties by the Railways:

Railways have the right, power and authority and have taken all actions necessary to execute this Contract as per the Railways Act, 1989.

ARTICLE- 5 OBLIGATIONS OF THE COMPANY

Section 5.1 Company Obligations:

Without prejudice to any other covenants and obligations as set out in this Contract, the Company undertakes and agrees, at its own cost and expense and in addition to, and not inderogation of, its obligations contained elsewhere in this Contract, to:

5.1.1 Provide Minimum Guaranteed Gross Freight Revenue (MGGFR) which means the annual minimum gross freight revenue committed by the Company for each individual Financial Year of the Contract. The MGGFR would normally be higher for each subsequent year with pre-agreed annual incremental growth for the entire period of the Contract.

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Illustration:

A Company desiring to enter into an Contract under this policy guarantees revenue i.e. MGGFR of Rs.600 crore in three years (Assuming Contract is for 3 year period), the Company shall give break up of year wise revenue such as ₹100 crore in the first year, ₹200 crore in second year and Rs.300 crore in third year. Similar increase would have to be provided for third year onwards if Contract is for more than three years.

5.1.2 The Company may include both inward and outward or only outward traffic for the purpose of arriving at Freight Revenue (i.e. MGGFR, GFR &AGFR) in this Contract.

5.1.3 For the first year of the Contract the GFR of the previous 12 months shall be the Benchmark Gross Freight Revenue i.e. BGFR. From 2nd year of the Contract the previous year's MGGFR shall become the BGFR for that particular year.

5.1.4 The Company shall provide a detailed dispatch/loading/unloading schedule periodically for evacuation and movement (monthly/fortnightly/10 day basis or even quarterly basis to be negotiated between "parties") and strictly adhere to it. The indenting pattern based on O-D plans indicated by Company should not be concentrated in a short period but should be evenly spread out proportionately over reasonable period. In case of any change in the schedule, due to reasons such as closure of plant operations, or enhancement of capacity, the same is to be notified to the Railways at least 10 (ten) days in advance.

5.1.5 The Guarantee shall be deemed to have been fulfilled once the Minimum Guaranteed Gross Freight Revenue has been met during a Year.

5.1.6 Obtain and keep valid all such Applicable Permits (including renewal of the relevant permits, from time to time) required for the performance of its obligations under this Contract, and shall comply with all Applicable Laws and Applicable Permits.

5.1.7 Support and cooperate with the Railways in the effective and timely implementation and operation of the services to be provided, in accordance with the provisions of this Contract.

5.1.8 Bear and pay all costs, expenses and charges in connection with or incidental to the performance of its obligations under this Contract.

5.1.9 Do all such other acts, deeds and things as are necessary or incidental to the performance of the Company's obligations under this Contract.

ARTICLE 6- OBLIGATIONS OF THE RAILWAYS

6.1 Railway shall make all out efforts to supply wagons/rakes to the Company (as per the Preferential Traffic Order decided in consultation with Board), based on the indents placed at loading points/sidings/terminals of the Company and to make provisions of sufficient rolling stock for evacuation/movement of that part of traffic which originates at those Points.

6.2 Railway shall provide rebate on the Gross Freight Revenue on fulfillment of MGGFR as per Para 1.1.24 (I & ii).

ARTICLE 7- FREIGHT PLAN

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7.1 Company shall deliver the Freight Forecast (FF) not later than 30 days prior to the commencement of each month to Railways/Zonal Railways/Divisions so as to enable the Railway/ Zonal Railways/ Divisions of the Railway to plan supply of empties/ evacuation/movement of the traffic offered being part of the MGGFR.The Freight Forecast shall clearly indicate the freight offer pattern for the forthcoming month/fortnight/10 days.

7.2 Railways through concerned Zonal Railways/Divisions shall ensure the supply of rakes against the indents placed at the Company's Terminalsin accordance with the Freight Forecast subject to the provisions of preferential traffic schedule, quotas and restrictions from time to time.

7.3 As per this Contract, the Railways shall provide all reasonable services to the Company including:

i) Supply of required number of wagons on priority as per periodical loading schedule.

ii) Provide a time frame to supply wagons as per loading schedule to the extent possible.

7.4 Render all reasonable assistance to the Company and facilitate the procurement of Applicable Permits concerning the Railways or its designated agency.

7.5 Provide efficient services for any transportation of Wagons by ensuring that Wagons are run through to the destination without any undue or unreasonable detention en-route;

7.6 Assist and facilitate the movement of wagons, to the extent possible, on any railway network in India on a non-discriminatory basis;

7.7 Needful coordination between Railway and Company will be put in place for valid communication for functioning of this Contract.

ARTICLE-8 STATEMENT OF ACCOUNTS

In respect of the Minimum Guaranteed Gross Freight Revenue in terms of Article 5.1.1, Railway and Company shall jointly determine by a Joint Procedure Order (JPO), the maximum number of indents that can be placed per day at each sidings/loading points of the Company.

8.1 The indents placed at each siding of the Company shall be serially numbered for the entire year. Indents for restricted destinations shall not be counted for this purpose till the restriction is in force.

8.2 A monthly statement shall be prepared by Zonal Railway indicating: Opening Balance, Number of indents placed, number of indents against which supplies were made, number of indents cancelled/forfeited, closing balance of indents at the siding/sidings of the Company. A separate account in respect of indents withdrawn after pending for 240 hours at the siding/sidings should also be compiled.

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ARTICLE-9 ASSIGNMENT AND TRANSFER

The Company shall not transfer and/or assign this Contract to any third party including sister concern. In case of change of ownership of the Company/liquidation, the contract shall automatically come to an end.

ARTICLE-10 FORCE MAJEURE

Section 10.1

Force Majeure shall mean any event or circumstance or combination of events or circumstances that materially and adversely affects the performance by either party (the "Affected Party") of its obligations under this Contract (including by preventing or hindering or delaying such performance), but only if and to the extent that such events and circumstances in all possibilities are not within the reasonable control of the"Affected Party" and not brought about at the instance of, the party claiming to be affected by such events

Section 10.2

The following circumstances and events shall constitute an event or circumstance of Force Majeure to the extent that they or their consequences satisfy the above requirements:

a) The effect of natural elements or other acts of God, including but not limited to any storm, flood, drought, lightning, earthquake, cyclone or other natural disaster.

b) Fire, accident, breakage of facilities or equipment, structural collapse or explosion which the party claiming to have been subject to Force Majeure demonstrates to have been attributable to a cause other than inherent effects/defects of any equipment.

c) Train accidents/collisions for whatsoever reason so caused, leading to disruption in movement of rail traffic.

d) Epidemic or quarantine

e) Acts of war (whether declared or undeclared), sabotage, terrorism or acts of public enemy (including the acts of independent units or individuals engaged in activities of foreign programme or irregular welfare). Acts of belligerence of foreign enemies (whether declared or undeclared), blockades, embargoes, civil disturbances, revolution, rebellion or insurrection, exercise of military or usurped power or any attempt at usurpation of power.

f) Radioactive contamination or ionization radiation

g) Events of strikes, work to rule agitations/actions, go slows or similar labour related problems caused in whole or in part by agitation or unrest, civil commotion boycott or political agitation which severely impact the running of the train services but not restricted to the establishments of the Affected Party.

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h) Any substantial change in Law which limits or restricts the ability of any of the parties to perform its obligations/service in the manner as contemplated under this Contract.

Section 10.3 Duty to report the incidences of Force Majeure:

10.3.1 Excuse from performance of obligations:
An Affected party who is rendered wholly or partially unable to perform its obligations under this Contract shall be excused from performance of such of its obligations as are directly and materially adversely affected by the event of Force Majeure, provided however that:

(a) An obligation to make any payment or meet any financial obligation shall not be excused on account of an event of Force Majeure, and

(b) The maximum period for which relief can be claimed by an Affected Party in respect of an event of Force Majeure shall not exceed one hundred and twenty (120) days, and

(c) The suspension of performance of its obligations by the Affected Party shall be of no greater scope and of no longer duration than is reasonably necessitated by the event of Force Majeure, and

(d) The Affected Party shall continue to make all reasonable efforts to mitigate or limit the damage to the other Party arising out of or as a result of the existence or occurrence of such event of Force Majeure and to cure the same with due diligence; and

(e) When the Affected party is able to resume performance of its obligations under this Contract, it shall give to the other Party written notice to that effect and shall promptly mutually agree upon an alternative arrangement.

10.3.2 In the event the Force Majeure continues beyond 120 days, the affected party or parties mutually agree upon an alternative arrangement.

10.3.3 No liability for other losses, damage, etc. save and except as expressly provided in Article-12, neither Party shall be liable in any manner whatsoever to the other Party in respect of any loss, damage, cost, expense, claims, demands and proceedings relating to or arising out of the occurrence or existence of any event of Force Majeure or the exercise by it of any right pursuant to the Article 12.

10.3.4 **Effect of Force Majeure Event on the Contract:**
Upon the occurrence of any Force Majeure event, the Service Period shall be extended to the extent and for the period the Company was affected by such Force Majeure event (and in any event, by a period not less than the duration for which such Force Majeure event and the effect thereof subsists)

10.3.5 **Allocation of costs arising out of Force Majeure:**
Upon the occurrence of a Force Majeure event, the Parties shall bear their respective Force Majeure Costs, and neither Party shall be liable in any manner

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whatsoever to the other Party in respect of any loss, damage, cost, expense, claims, demands and proceedings relating to or arising out of occurrence or existence of any Force Majeure event or exercise of any right pursuant hereto.

ARTICLE-11 EVENT OF DEFAULT

For the purpose of this Contract, each of the following events shall, if capable of being remedied, is not remedied for a period of 120 days from the notification thereof constitute an Event of Default.

Section 11.1 Company's Events of Default:

(i) Repudiation of this Contract by Company or otherwise the Company takes any action that conveys an intention not to be bound by the Contract
(ii) Appointment of a provisional liquidator for winding up of the company, unless such appointment has been set aside within 45 days
(iii) Company abandons its obligations without prior written consent of the Railways
(iv) Company has assigned / transferred its rights in breach of the provisions of this Contract
(v) Company is adjudged bankrupt or insolvent
(vi) Company commits a material breach of this Contract

Section 11.2 Railway's/zonal railway Events of Default:

Repudiation of this Contract by railway/zonal railway

Section 11.3 Consequences of Default:

If the default persists and defaulting party fails to cure it within a period of 45 days, the non-defaulting party shall be free to take suitable measures including termination of contract.

ARTICLE-12 INDEMNITY

12.1 The Company will indemnify, defend, save and hold harmless the Railways, and its officers and employees ("Authority Indemnified Parties"), without recourse to any of the other Authority Indemnified Parties, against all suits, proceedings, actions, demands, third party claims and any costs incurred in connection therewith (including court costs and attorney's fees incurred by the Railways) on account of any injury or death arising out of any act or omission of or any breach by the Company of any of its obligations under this Contract.

12.2 The railways will indemnify, defend, save and hold harmless the Company, the Company's shareholders, the Lenders, each of their subsidiaries and affiliates and parent Companies, and the directors, officers, agents and employees of each of them ("Company Indemnified Parties"), without recourse to any of the other Company Indemnified Parties, against all suits, proceedings, actions, demands, third party claims and any costs incurred in connection therewith (including court costs and attorney's fees incurred by the Licensee) on account of any injury or death arising

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out of any act or omission of or any breach by the Railways of any of its obligations under this Contract.

ARTICLE-13 MISCELLANEOUS

Section 13.1 Renewal of Contract:

The Contract can be renewed with renegotiated terms/conditions between Railways and the Company after expiry of the term of earlier Contract to the satisfaction of both parties. The renewal would be done on mutually negotiated terms as per rules prevalent at the time of renewal of contract.

Section 13.2

Each party shall do all things required to give effect to its rights and obligations under this Contract including executing all deeds and documents, convening all meetings, giving all waivers and consents, passing resolutions and otherwise exercising all powers and rights available to it.

Section 13.3 Waiver:

13.3.1 Failure by either party to invoke the provisions of this Contract in the event of any default by other party in the observance and performance of its obligations under this Contract:

i) Shall not operate or be construed as a waiver of any such default, or any other or subsequent default, and

ii) Shall not affect the validity or enforceability of this Contract in any manner.

13.3.2 Failure by any party to insist upon the performance of the terms, conditions and provisions of this Contract or any obligation hereunder, and time or other indulgence guaranteed by a party to the other party shall not be treated or deemed as waiver of such breach or acceptance of any variation or the relinquishment of any such right hereunder.

13.3.3 This Contract shall supersede all previous Contracts if any between the Railway and the Company in so far as it relates to the subject matters contained hereof.

13.3.4 No amendment or modification of the terms of this Contract shall be binding on any party unless communicated in writing and signed by both the parties.

Section 13.4 Notices:

Any notice or other communication provided in this Contract shall be in writing. Notice will be issued in English language only. Completion of the communication will be taken only when the letter is delivered in person under clear acknowledgement or by registered post with acknowledgement.

Section 13.5 Arbitration:

In the event of any question, dispute or difference arising out of or under this Contract in connection therewith (except as to matters, the decision to which is specifically provided

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under this Contract) the same shall be resolved by amicable settlement failing which the matter will be referred to the Sole Arbitrator appointed by the Competent Authority i.e. General Manager of concerned Zonal Railways. The arbitration shall be conducted in accordance with the provisions of Arbitration and Conciliation Act, 1996 as amended in 2015 and the Rules made thereunder. The decision of the Arbitrator shall be final and binding upon the parties.

ARTICLE 14-TERMINATION OF CONTRACT

Both parties to the Contract have the right to terminate the Contract by serving a letter of termination on the other party by giving 3 months notice, in case of continuous default or it appears that other party is not complying with terms of Contract. In such a situation, the customer shall not be entitled to any rebate for the year in which the agreement is terminated.

Signing of Contract

In witness whereof the parties have executed and delivered this Contract on the date First above written.

SIGNED, SEALED AND DELIVERED
For and on behalf of the President of India
By

.....
(Signature)

Name.....

Designation.....

(CCM of the contract signing Zone)

Witnessed by

(a) FA & CAO of contract signing Zone

(b) CCMs of participating Zonal Railway (in case of multi-zonal contract)

SIGNED, SEALED AND DELIVERED
For and on behalf of Company
By

.....
(Signature)

Name.....

Designation.....

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ANNEXURE-I

Rebate structure Table : On incremental growth on BGFR

Scenario	percentage increase in Gross Freight Revenue (GFR)over and above the benchmark GFR	Percentage Rebate on total Gross Freight Revenue* (%)
1.	0 - <=5**	0
2.	>5 - <=10	1.5
3.	>10 - < =15	2.5
4.	>15 - <=20	5
5.	>20 - <=30	7.5
6.	>30 - <=40	10
7.	>40 - <=50	12.5
8.	>50 - <=60	15
9.	>60 - <=70	17.5
10.	>70 - <=80	20
11.	>80 - <=90	25
12.	>90 - <=100	30
13.	>100	35

* *Subject to fulfilment of MGGFR*
** *0-<=5 means % increase in GFR between 0 and 5 including 5. Similarly >5-< = 10 means % increase in GFR between 5(excluding 5) and 10 (including 10) and so on.*

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ANNEXURE-II

Gross volume based rebate structure corresponding to AGFR

Scenario-I	Total volume of traffic (MT)	Rebate on corresponding Gross Freight Revenue (%)*
I.	0 - 5	Nil
II.	>5 <=10	0.5
III.	>10 <=15	1.0
IV.	>15 <=20	1.5
V.	>20 <=25	2.0
VI.	>25 <=30	2.5
VII.	>30 <=35	3.0
VIII.	>35 <=40	3.5
IX.	>40 <=45	4.0
X.	>45 <=50	4.5
XI.	>50	5.0

*subject to AGFR of previous year being met.

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