

**MEMORANDUM OF UNDERSTANDING BETWEEN THE  
GOVERNMENT OF ORISSA AND M/S EASTERN STEELS &  
POWER LIMITED FOR ESTABLISHMENT OF A STEEL COMPLEX  
AT LAHANDABUD IN JHARSUGUDA DISTRICT OF ORISSA.**

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This Memorandum of Understanding is made on this 3<sup>rd</sup> day of November, 2005 between Government of Orissa on the one part and M/s. Eastern Steels & Power Limited on the other part.

1. M/s. Eastern Steels & Power Limited (ESPL) having its Registered Office at 48, Todarmal Road, Bengali Market, New Delhi-110 001(hereinafter referred to as ESPL which expression shall, unless repugnant to the context or meaning thereof, include its successors, executors, administrators, representatives and permitted assignees) is proposing to set up 0.25 million tonnes per annum Steel Complex and 30 MW power plant at Lahandabud in Jharsuguda district with a total investment of Rs.254.00 crores.
2. The Government of Orissa, desirous of utilizing its natural resources and rapidly industrializing the State, so as to bring prosperity and well being to its people, have been making determined efforts to establish new industries in different locations in the State. In this context, the Government of Orissa have been seeking to identify suitable promoters to establish new integrated steel plants in view of the rich iron ore and coal deposits in the State.
3. (a) ESPL is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs.254.00 crores.



Sl. No.	Project	Capacity in MTPA	Project cost (Rs. in crores) approx	Time schedule for commissioning manufacturing facilities from date of MoU.
1.	Sponge Iron	0.22	79.25	Within three years
2.	Mini Blast furnace	0.10	40.00	
3.	MS Billets	0.25	30.85	
4.	Power	30MW	78.00	
5.	Others		25.9	
<b>Total:</b>			<b>254.00</b>	

- (b) Within three months of signing this MOU, shall prepare in consultation with representatives of IPICOL/IDCO detailed milestones in the form of annual break up of the physical and financial targets to be achieved and furnish the same to the State Government for monitoring.
4. This Memorandum of Understanding (MOU) reaffirms the commitment of ESPL to establish an integrated steel plant and assistance of the Government of Orissa for providing land, iron ore, recommending for coal block/linkage and other facilities.
5. The major areas of co-operation between the Government of Orissa and ESPL are listed below:

**(A) Land:**

- a) ESPL will require approximately 250-260 acres of land at Lahandabud in Jharsuguda district for the purpose of setting up the steel plant and associated facilities.

However, the requirement of land as assessed by ESPL is subject to re-examination by IPICOL/IDCO with reference to detailed land utilization map for the project.

- b) For rehabilitation of displaced families, Rehabilitation and Re-settlement Package would be implemented as per the policy/



guidelines issued by the Government of Orissa from time to time

- c) The Government of Orissa agrees to handover the requisite quantum of land in phases with reference to the detailed land use plan to be submitted by the client company and appraised by IPICOL, free from all encumbrances to ESPL through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the plant and allied facilities on payment of cost as to be assessed by IDCO/State Government.
- d) ESPL agrees to pay IDCO/Revenue authorities the cost of land and properties (if standing thereon), IDCO's administrative charges, annual ground and cess to be assessed by the competent authority at the admissible rates.

**(B) Raw Materials:**

**Coal :** The State Government agrees to recommend to the Government of India for allotment of suitable coal blocks for captive coal mining for the project either directly or through a PSU. Further, the State Government will assist ESPL to get the allocation of coal linkage of suitable grade in the desired quantity to meet its requirement until it is ready for mining of its coal block.

**Iron Ore:** The State Government agrees to assist ESPL in making a firm arrangement with Orissa Mining Corporation (OMC) along with other private Iron ore lessees in the State to meet a substantial portion of the requirement of iron ore of suitable grade for initial period of steel making under mutually agreeable terms & conditions. Possibility shall also be explored to evolve long-term arrangement with OMC under mutually acceptable terms & conditions for development of new iron ore areas. Keeping in view substantial value addition within the

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State, the State Government also agrees to assign appropriate priority in the matter of recommending their application for iron ore mines under the MMDR Act and the MC Rules for mineral concession to meet their requirement subject to adequate progress in implementation of project as envisaged in Para-3 of this MoU and a portion of the requirement to be met through the OMC or any other existing lessees.

ESPL understands that by the time the complete plant and machinery for as in para 3 is set up and ready for production, but availability of iron ore area for the project is not tied up by then, the State Government would consider assigning priority to this project over other projects should come on stream (become ready for production of steel) later in the matter for allocation of iron ore area to meet their raw-material needs to the extent of about 25 years of requirement of the plant.

ESPL also understands that the State Government is in the process of formulating a set of guidelines indicating the criteria to be adopted in the matter of recommending available iron ore areas for steel projects and on assignment of inter-se priority among various steel projects in the State.

Any special consideration for assistance in the matter of sourcing raw-material as above will be subject to the position that suitable iron ore areas are available for grant and that M/s ESPL do not have an existing mining area or controlling interest or long term arrangement for supply of iron ore in any company/concern having mining area for the relevant mineral in the State. In case they do have such area/ interest, their requirement shall be reassessed by the State Govt. after taking



into consideration the quantity of mineral that can be met from these sources.

**(C) Water:**

- (i) The State Government will identify suitable water source for drawal of water to meet the requirement of the project for its construction needs, operation of the power plant as well as auxiliary requirements for services and related facilities.
- (ii) The approximate requirement of water is 5400 Cum/Day during the construction and operation period.
- (iii) The approximate requirement of water is 150 cu.m./hr. during the operation of the power plant of 30 MW.
- (iv) A suitable technical solution for drawal of water will be finalized by Government of Orissa through its nominated agency, the Orissa Industrial Infrastructure Development Corporation (IDCO) in consultation with ESPL.
- (v) The head works and control mechanism for the drawal of water will be constructed and maintained by IDCO for this purpose and the capital cost for the same shall be borne by ESPL and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on behalf of ESPL or may be allowed to be constructed and operated by ESPL as mutually agreed upon.
- (vi) Water will be supplied by IDCO to meet the necessary requirement of ESPL through appropriate commercial agreements which will include full reimbursement of water rate to be paid by IDCO to the Government of Orissa for this purpose. All other statutory dues as may be payable, will also be payable by ESPL to IDCO in this regard.





**(D) Power:**

Total requirement of power will be 42 MW, which will be met partly from CPP and the balance from WESCO.

Surplus power generated, shall be supplied in the first instance to GRIDCO or any other designated entity to be decided by the State Government and only on refusal by them, it could be sold to any other buyer. The tariff for such sale of power will be fixed as per OERC guidelines. GRIDCO/buying entity will enter into Power Purchase Agreement (PPA) with Captive Power Producer as per commercial arrangement existing between other CPPs and GRIDCO.

**(E) Environment:**

- i. The Government of Orissa agrees to assist ESPL in obtaining NOC through the State Pollution Control Board for the construction of the plant, the housing colony, pipeline, power project etc.
- ii. Government of Orissa agrees to assist ESPL in obtaining all clearances from the Central Government.
- iii. ESPL will arrange to conduct rapid Environment Impact Assessment (EIA) and detailed EIA study and prepare Environment Management Plan (EMP) for the project. The Govt. of Orissa agrees to assist ESPL in this regard during the time when EIA is being conducted and EMP is being prepared.

**(F) Incentives and concessions**

ESPL understands that the State Government would consider such incentives & concessions as are provided in the relevant Industrial Policy Resolution (IPR) of the State Government.



**(G) General Clauses:**

- a) The Govt. of Orissa appreciates that ESPL is a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa therefore anticipates that ESPL will bring this philosophy to the steel plant project being set up at Lahandabud in Jharsuguda district to ensure the well being of this district in particular and the people of Orissa in general.
- b) In terms of employment, preference will be given to the people of Orissa as well as the local persons subject to need and their possessing the necessary qualifications. ESPL will make every effort to improve their skill levels, if necessary, through specialized training. For this purpose State Government will nominate a nodal Agency/Officer to coordinate with the Company.
- c) The Government of Orissa appreciates that ESPL will be entitled to induct suitable foreign and/or Indian Joint Venture partners, choose appropriate financial options, suppliers, credit options and technologies in the best interest of the project.
- d) ESPL shall effect sale of all its products (including inter-State sales) in the State of Orissa and shall not effect any branch transfer of its products to out side the State. These stipulations are not however applicable to export of finished products outside the country.
- e) The MoU shall remain valid for a period of two years from the date of signing. Further extension, if necessary, shall be made as per mutual agreement. However, no such extension shall be considered unless ESPL has made substantial progress on implementation of the project in terms of construction, erection of plant and machinery and investment at site to the





satisfaction of the State Government in these two years in implementing the project as envisaged in this MoU.

- f) ESPL understand that the offers and special considerations of the State Government indicated in this MoU are for the Steel project envisaged in para-3 where the final product is Steel/ steel products and not for any intermediary product unless the same is for captive use in the Steel plant.
- g) ESPL shall be required to produce document towards financial closure for the project within one year of signing of MoU.
- h) In the event of non-implementation of the project or part thereof the corresponding support/commitment of the State Government indicated in the MoU with regard to Iron Ore /Coal, incentives and concessions of the State Government in particular should be deemed to be withdrawn.
- i) The MoU shall terminate in the event the promoter commits any material breach of its obligation under this MoU and fails to make good such breach within 30 days of the notice of the State Government for such purpose.
- j) It shall be obligatory on the promoter to furnish all information required by the State Government relevant to planning, formulation, lay out, financing and implementation of the project as well as the financial and management status and performance of the promoter as and when so required by the State Government as expeditiously as possible.
- k) The promoter agrees to facilitate participation of small and medium industries within the State for providing products and services required for the project during its construction and implementation phase as well as during operation and to promote the ancillary and downstream industries within the State. The State Government will nominate a nodal Agency/Officer to interact with the Company for this purpose.






- l) The promoter while implementing the project undertake to comply with all statutory requirements/clearances in respect of laws, regulations and procedures governing establishment and operation of Industries.
- m) The Company shall comply with all applicable laws and policies of the Government of India and the State of Orissa more specifically those relating to environment, rehabilitation and socio-economic development in the periphery of the project including the Notification No.375 dated 15<sup>th</sup> January, 2004 of Government of Orissa.
- n) The company shall have its registered office for Orissa project in Bhubaneswar or any other suitable place in Orissa.
- o) ESPL also agrees to make suitable contribution towards augmenting the administrative and developmental infrastructure of the project area during the construction period in order to facilitate smooth implementation of the project. This will be decided jointly in consultation with the State Government representative in the Steel & Mines Department, IDCO and the district administration.

For witness whereof the parties hereto have set their hands to this MoU on this 3<sup>rd</sup> day of November, 2005.

**For Eastern Steels & Power Ltd      For Government of Orissa**



**(Shri D.P.Singh)**  
Director



**(Shri Bhaskar Chatterjee)**  
Principal Secretary,  
Department of Steel & Mines