

**REVISED/MODIFIED MEMORANDUM OF UNDERSTANDING
BETWEEN THE GOVERNMENT OF ORISSA AND M/S JINDAL
STEEL & POWER LIMITED FOR ESTABLISHMENT OF A STEEL
PLANT AT ANGUL IN THE DISTRICT OF ANGUL, ORISSA.**

This Memorandum of Understanding (MoU) is made on this 3rd day of November, 2005 between Government of Orissa on the one part and M/s Jindal Steel & Power Ltd. on the other part.

1. M/s Jindal Steel & Power Ltd. (JSPL) having its Registered Office at Delhi Road, Hissar, Haryana (hereinafter referred to as JSPL which expression shall, unless repugnant to the context or meaning thereof, include its successors, executors, administrators, representatives and permitted assignees), had signed a MoU with Govt. of Orissa on 18.10.2004 for setting up of a 2MTPA capacity of steel plant with an investment of Rs.3,850 crores at Deojhar in Keonjhar district. JSPL is now proposing to set up a steel plant of 6.00 MTPA and 900 MW of captive power plant in the State of Orissa in Keonjhar and Angul districts with an estimated investment of about Rs.13,135.02 crore.
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) M/s JSPL is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs.13,135.02 crore.



Project	Capacity in million tonne per annum.	Project cost (Rs.in Crore)	Time Schedule for commissioning of manufacturing facilities from the date of MoU.
Ore beneficiation plant	9.00	233.84	Within six years
Pellet Plant	7.00*	714.70	
Coal gasifier	15 module	831.47	
DR Plant	5.01	445.75	
Steel Melting & continuous casting	6.44	1227.54	
Bar & Wire rod mill	0.75	251.80	
Plate Mill	1.20	1592.70	
HR Coils	3.60	1218.53	
Captive Power Plant	900MW	3558.69	
Utility Services & Others		3060.00	
Total		13,135.02	

* The company proposes to sell 1.64 MT of pellets per annum.

b) Within three months of signing this MoU, JSPL 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 JSPL to establish an integrated steel plant and assistance of the Government of Orissa for providing land, iron ore mines, recommending for coal blocks and other facilities.

5. The major areas of co-operation between the Government of Orissa and JSPL are listed below:

(A) Land:

(a) JSPL will require approximately 5,750 acres of land for the purpose of setting up the steel plant and associated facilities.

Name of the Village/District.	Area in acres
Villages of Angul & Chhendipada Tahasil in Angul district and Deojhar in Keonjhar district.	5,750



However, the requirement of land as assessed by JSPL 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 hand over the land free from all encumbrances to JSPL through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the plant and allied facilities.
- (d) JSPL agrees to pay IDCO /Revenue authorities the cost of the land etc.

(B) Raw Materials:

Coal : On the recommendation of the State Government Coal block Utkal B-1 has been allotted by Ministry of Coal, Government of India. State Government, will assist in getting the required clearances and execution of this mining lease for this block in favour of the company. For additional requirement of coal for manufacturing of 6 MTPA of steel and 900 MW of CPP, the State Govt. agrees to recommend to Govt. of India for allotment of additional coal block for captive coal mining for the project either directly or through a PSU.

Iron Ore: The State Government agrees to assist JSPL 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 and conditions. Possibility shall also be



explored to evolve long term arrangement with OMC under mutually acceptable terms and conditions for development of new iron ore areas. Keeping in view substantial value addition within the State, the State Government also agrees to assign appropriate priority in the matter of recommending its application for iron ore mines under the MMDR Act and the MC Rules for mineral concession to meet its captive 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.

The State Government agrees to recommend to the Government of India for allotment of iron ore mines so as to meet the requirement for a period of 25 years related to the installed capacity as in para 3 of this MoU in accordance with the applicable law, rules and policy guidelines of the State Government in the matter, subject to JSPL achieving the following milestones:-

- Award of 50% of orders for civil and structural contracts in terms of value.
- Placement of 20% of firm orders for machinery in terms of value.

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 JSPL do not have an existing mining area or controlling interest or any 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 Government after taking into consideration the quantity of mineral that can be met from these sources.

At the time of actual grant of mining lease, the company should have invested at least 50% of the total project cost as per the detailed project report /relevant document.

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(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 14,700 cu.m/hr during the construction and operation period.
- (iii) The approximate requirement of water is 3,600 cu.m./hr. during the operation of the power plant of 900 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 JSPL.
- (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 JSPL and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on behalf of JSPL or may be allowed to be constructed and operated by JSPL as mutually agreed upon.
- (vi) Water will be supplied by IDCO to meet the necessary requirement of JSPL 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 JSPL to IDCO in this regard.

(D) Power:


The estimated power requirement of the proposed steel plant will be 770MW, out of which 47MW (approx.) will be the power



requirement for the iron ore beneficiation plant at Deojhar. The power requirement for the proposed plant at Kerjang shall be met from the nearest 220/400 KV grid substation of GRIDCO located approximately 30KM away from the plant site, while for the beneficiation plant, it is proposed to meet the power requirement from the Joda sub-station of GRIDCO. The State Govt. agrees to provide the grid connectivity of 400 KV at Meramundali sub-station. The power requirement for construction purpose is estimated to 10 MVA. The project plans to have captive power plant of 900 MW.

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 JSPL in obtaining NOC through the State Pollution Control Board for the construction of the plant, the housing colony, mines, pipeline, power project etc.
 - ii. Government of Orissa agrees to assist JSPL in obtaining all clearances from the Central Government.
 - iii. JSPL will arrange to conduct rapid environment impact assessment (EIA) and detailed EIA study and prepare environment management plan (EMP) for the project. The Government of Orissa agrees to assist JSPL in this regard during the time when EIA is being conducted and EMP is being prepared.
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(F) Incentives and concessions:

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

(G) General Clauses:

- a) Government of Orissa appreciate that JSPL is fully committed to the proper resettlement and rehabilitation of the project affected households. Accordingly, JSPL will implement a model programme, in conformity with Government of Orissa's policy, for the resettlement and rehabilitation of the household affected by the project ensuring in particular, their livelihood security. JSPL will also take appropriate mitigation measures to ensure that local environment in the project area is not adversely affected by the Industrial and mining activities.
- b) The Government of Orissa appreciate that JSPL is a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa therefore anticipate that JSPL will bring this philosophy to the steel plant project being set up in the district of Angul & Chhendipada Tahasil in Angul district and Deojhar in Keonjhar district to ensure the well being of these districts in particular and the people of Orissa in general.
- c) 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. JSPL 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.
- d) The Government of Orissa appreciate that JSPL 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.

- e) JSPL 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 outside the State. These stipulations are not however applicable to export of finished products outside the country.
- f) 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 JSPL 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.
- g) JSPL understands that the offers and special considerations of the State Government indicated in this MOU are for the Steel project envisaged in para-3(a) 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.
- h) JSPL shall be required to produce document towards financial closure within one year of signing of MOU.
- i) The techno-economic viability of using gasification of coal in the manufacture of DRI is to be submitted to IPICOL/State Government within three months of signing of MOU.
- j) The excess pellets of 1.64 MTPA should be offered in the first instance to any of the steel plants located in Orissa.
- k) 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 Mines/ Coal Block,



incentives and concessions of the State Government in particular shall be deemed to be withdrawn.

- l) 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.
- m) 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.
- n) 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.
- o) The promoter while implementing the project undertakes to comply with all statutory requirements/clearances in respect of laws, regulations and procedures governing establishment and operation of Industries.
- p) The Company shall comply with all applicable laws and policies of the Republic of India and the State of Orissa including more specifically those relating to environment, mining, rehabilitation and socio-economic development in the periphery of the project and also including the Orissa Government Notification No.375 dated 15th January, 2004.
- q) The company shall have its registered office for Orissa Project in Bhubaneswar or any other suitable place in Orissa.

r) JSPL also agrees to make suitable contribution toward:
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.

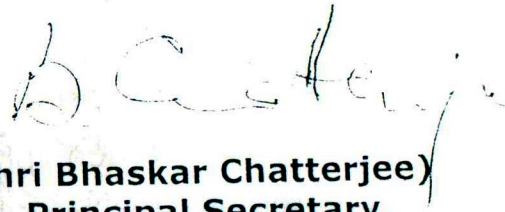
For witness whereof the parties hereto have set their hands to
this MoU on this 3rd day of November, 2005.

For Jindal Steel & Power Ltd.

For Government of Orissa



(Shri Vikrant Gujral)
Vice Chairman &
Chief Executive Officer



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