

**MEMORANDUM OF UNDERSTANDING BETWEEN THE
GOVERNMENT OF ORISSA AND M/S JINDAL STAINLESS LTD.
FOR ESTABLISHMENT OF A STAINLESS STEEL PLANT AT
KALINGA NAGAR INDUSTRIAL COMPLEX, DUBURI IN THE
DISTRICT OF JAJPUR, ORISSA.**

This Memorandum of Understanding is made on this 9th day of June, 2005 between the Governor of Orissa on the one part and M/s. Jindal Stainless Ltd. on the other part.

1. M/s. Jindal Stainless Ltd (JSL) having its Registered Office at Delhi Road, Hisar, Haryana-125 005 (hereinafter referred to as JSL 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 a stainless steel plant of 1.6 MTPA and a captive power plant of 500 MW in the State of Orissa at Kalinga Nagar Industrial Complex, Duburi in Jajpur district with an estimated investment of about Rs. 6628 crore in two Phases.
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.
- 3.(a) JSL is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs.1612 crore in the Phase-I and Rs.5016 crore in Phase-II.

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Sl. No.	Project	Capacity in Million Tonne per annum	Project cost (Rs. in Crore)	Time Schedule for commissioning of manufacturing facilities from date of signing of MoU.
Phase-I	1. Ferro Chrome	0.24	1146	Within three years
	2. Blast Furnace (Hot Metal)	0.525		
	3. Steel Melting Shop	0.8		
	4. Slab Caster	0.8		
	5.. BF Gas & Waste Heat Recovery Power plant	25 mw		
	6. Silicon Manganese	0.04		
	7. Ferro Manganese	0.05		
	8. Power Plant	125 MW	466	
	Total		1612	

- (b) Subsequently, the JSL envisages to double the capacity from 0.8 MT to 1.6 MT by doubling capacity of Ferro Alloys, Iron and Steel making and also by putting up HOT Rolling Mill and COLD Rolling Mill Complex with the additional investment of Rs. 5016 crores and the entire project is expected to be completed in five years time from the date of signing of MoU. Besides JSL proposes to set up 500 MW (4 X 125 MW) Power Plant in which 125 MW Power Plant to be set up in the first phase and the balance 375 MW in second phase. The manner of investments & the facilities of Phase-II are as below:

Sl. No.	Project	Capacity in Million Tonne per annum	Project cost (Rs. in Crore)	Time Schedule for commissioning of manufacturing facilities from date of signing of MoU
Phase-II	Ferro Chrome	0.24	3618	Within five years
	BF (hot metal)	0.525		
	Steel Melting	0.8		
	Slab Caster	0.8		
	BF Gas & Waste heat recovery	25 MW		
	Silicon - Manganese	0.08		
	Ferro - Manganese	0.05		
	Hot Rolling Mill	1.00		
	Cold Rolling Mill	0.825		
	Power Plant	375 MW	1398	
		Total	5016	

- (c) Within three months of signing this MoU, JSL 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 in the first phase and furnish the same to the State Government for monitoring. Similar milestones for the second phase should be made ready soon after installation of the first phase expected within three years as indicated in Para-3 (a).

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4. This Memorandum of Understanding (MoU) reaffirms the commitment of JSL to establish an integrated steel plant and assistance of the Government of Orissa for providing land, iron ore, chrome ore, manganese ore mines, recommending for coal blocks and other facilities.
5. The major areas of co-operation between the Government of Orissa and JSL are listed below:

(A) Land:

- a. JSL will require approximately 1240 acres of land for the purpose of setting up the steel plant and associated facilities and 300 acres of land for ash pond outside Kalinga Nagar Industrial complex, Duburi in Jajpur district.

Name of the Village/District.	Area required in acres
Kalinga Nagar Industrial Complex, Duburi, Jajpur District	1240 acres

- b. For rehabilitation of displaced families, Rehabilitation and Resettlement Package would be implemented as per prevailing guidelines and practices of Government of Orissa.
- c. The Government of Orissa agrees to hand over the land free from all encumbrances to JSL through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the plant and allied facilities.
- d. JSL agrees to pay IDCO/Revenue authorities the cost of the land as would be determined.

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(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 JSL 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 JSL 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 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.

JSL also understands that the State Govt. is in the process of formulating a set of guidelines indicating the criteria to be adopted in the matter of recommending available iron ore

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areas for steel projects and on assignment of inter-se priority among various steel projects in the State.

Consideration for assistance in the matter of sourcing raw material will be subject to the position that suitable iron ore areas are available for grant and that JSL do not have an existing mining area or controlling interest in any company/ concern having mining area for the relevant mineral in the State.

Chrome ore: State Government agrees to assist JSL in making suitable long term arrangement with OMC and other lessees for supply of chrome ore to meet the requirement of stainless steel plant of JSL in Orissa in accordance with the provisions of the MMDR Act and MC Rules.

Manganese ore: The State Government would consider application of JSL for mineral concession for manganese ore in the State as and when available within the ambit of MMDR Act and MC Rules.

(C) Water:

The State Government will permit withdrawal of water from a suitable source for construction/operation of the aforesaid project and housing colony as per the prevailing rates under appropriate terms and approval of the Water Allocation Committee. The approximate requirement of water is as follows:

Phase-I	:	2500 Cum/Hr.
Phase-II	:	4500 Cum/Hr.



But such allotment of water would be as per the availability of water. The State Government will also permit implementation of the water supply scheme to be prepared by JSL and Water Resources Department.

(D) Power:

JSL plans to set up Captive Power Plant(s) to meet the requirement of energy intensive stainless steel making process and to utilize the residual heat of waste gases and coal rejects. Capacity of captive power plant would be as follows:

Phase -I - 125 MW+25 MW (waste heat)
Phase - II - 375 MW +25 MW (waste heat)

Surplus power from the captive power plant, if any, should be first be offered to GRIDCO or any other corporation so designated by the State Govt. at a tariff determined by OERC.

(E) Environment:

- i. The Government of Orissa agrees to assist JSL in obtaining NOC through the State Pollution Control Board for the construction of the plant, the housing colony, mines, operation laying and maintenance of water, pipeline, power project etc.
- ii. Government of Orissa agrees to assist JSL in obtaining all clearances from the Central Government.
- iii. JSL 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 JSL in this regard during

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the time when EIA is being conducted and EMP is being prepared. JSL shall comply with the law in force for environment protection.

(F) Incentives and concessions:

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

(G) General Clauses:

- (a) The Government of Orissa anticipates that JSL will ensure the well being of the people of Orissa in general and the locality in particular. In the matter of employment, preference will be given to the people of Orissa subject to their possessing the necessary qualifications. JSL 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 JSL.
- (b) JSL 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 in accordance with Law.
- (c) JSL 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

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outside the country. These stipulations will also not be applicable to transfer of finished products by JSL for subsequent processing outside the State provided JSL agrees to pay 2% of the cost of material to be transferred as its contribution for infrastructure development and maintenance through appropriate mechanism to be finalized by the Government of Orissa subsequently.

- (d) 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 JSL 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 first phase as envisaged in this MoU.
- (e) JSL understands 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 product.
- (f) JSL shall be required to produce documents indicating completion of financial closure for phase-I within one year of signing of MoU. Such financial closure for the second phase should be completed at least three years before the stipulated date of commissioning of the second phase of the project.



- (g) In the event of non-implementation of the project or part thereof, or failure to adhere to the milestones or to the provisions of this MoU the corresponding support/ commitment of the State Government indicated in the MoU with regard to Iron Ore, Chrome Ore, Manganese Ore Mines/ Coal Block, incentives and concessions of the State Government in particular shall be deemed to be withdrawn. The allotment of land, mines and other infrastructural facilities, if any, given to JSL, shall also be cancelled and Government of Orissa shall not be liable for the loss, if any, sustained by JSL.
- (h) It shall be obligatory on JSL 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 JSL as and when so required by the State Government as expeditiously as possible.
- (i) JSL 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 nodal Agency/ Officer nominated under clause-5(G)(a) will interact with the JSL for this purpose.

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- (j) JSL implementing the project undertakes to comply with all statutory requirements/clearances in respect of laws, regulations and procedures governing establishment and operation of Industries.
- (k) The Company shall comply with all applicable laws and policies of the Government 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 including Notification No.375 dated 15th January, 2004 of Government of Orissa.

For witness whereof the parties hereto have set their hands to this MoU on this 9th day of June, 2005.

For Government of Orissa

For Jindal Stainless Ltd.


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


(Shri N.C. Mathur)
Director
(Corporate & International Mktg.)