

Memorandum of Understanding BETWEEN the Governor of Orissa and M/s MGM Steels Limited for establishment of Integrated Steel Plant at Nimidiha, PS-Motagaon, in Dhenkanal District of Orissa

This Memorandum of Understanding is made on this 22nd day of December, 2006 BETWEEN Governor of Orissa (hereinafter referred to as the Government of Orissa) on the **one part**

AND

M/s MGM Steels Limited (MGMSL), a company registered under the Companies Act, 1956 having its Registered Office at 2A, Forest Park, Bhubaneswar, Orissa Pin-751009 (hereinafter referred to as MGMSL, which expression shall, unless repugnant to the context or meaning thereof, include its successors, executors, administrators, representatives and permitted assignees) of the **other part**

MGMSL is proposing to set up an integrated steel plant having of 0.25 Million Tonne Per Annum (MTPA) capacity and Captive Power Plant of 16 MW at Nimidiha, PS-Motagaon in Dhenkanal District with a total investment of Rs.208.10 Crore.

2. (a) MGMSL is desirous of setting up of the following manufacturing facilities in the State of Orissa with proposed investment of Rs.208.10 crore.

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*	0.21	64.00	Within three years
2.	Mini Blast Furnace	0.10	42.00	
3	Steel Billets	0.25	30.00	
4	Power Plant	16MW	48.00	
5.	Others	-	24.10	
Total: 208.10				

* MGMSL would not enhance their existing sponge iron capacity and MGMSL would use other technology like blast furnace etc. for enhancing their steel making capacity.

- (b) Within three months of signing this MoU, MGMSL shall prepare in consultation with the representatives of Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL)/ Industrial Infrastructure Development Corporation (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 Government of Orissa for monitoring.
3. This Memorandum of Understanding (MoU) reaffirms the commitment of MGMSL to establish an integrated steel plant and assistance of the Government of Orissa for providing land, iron ore, recommending for the coal blocks/ linkage and other facilities.
4. The major areas of co-operation between the Government of Orissa and MGMSL are listed below:

(A) Land

- (a) MGMSL will require approximately 150 acres of land for the purpose of setting of steel plant and associated facilities.

Name of the Village/District.	Area required in acres
Nimidiha, PS-Motagaon in Dhenkanal District	150 acres
Total	150 acres

However, the requirement of land as assessed by MGMSL is subject to re-examination by Industrial Promotion and Investment Corporation of Orissa Ltd (IPICOL)/ Industrial Infrastructure Development Corporation (IDCO) with reference to detailed land utilization map for the project.

- (b) For rehabilitation of displaced families, rehabilitation and resettlement 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 phase manner with reference to the detailed land use plan to be

submitted by MGMSL and appraised by Industrial Promotion and Investment Corporation of Orissa Ltd (IPICOL), free from all encumbrances to MGMSL 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 and Government of Orissa subject to availability of the same.


- (d) MGMSL agrees to pay IDCO or the Revenue authorities the cost of land and properties (if standing thereon), IDCO's administrative charges, annual ground rent and cess to be assessed by the competent authority at the admissible rates.

(B) Raw Materials

Coal : The Government of Orissa agree 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 Public Sector Undertaking (PSU). Further, the Government of Orissa will assist MGMSL to get the allocation of coal linkage of suitable grade in the desired quantity to meet its requirement until they are ready for mining of its coal block.

Iron Ore : The iron ore required for the plant to be set up by MGMSL shall be arranged/procured by MGMSL themselves without any assistance of Govt. of Orissa/Orissa Mining Corporation Ltd. There will not be any obligation on the part of Govt. of Orissa or Orissa Mining Corporation Ltd. to make arrangement for iron ore linkage for proposed steel project by MGMSL.

(C) Water

- (i) The Government of Orissa will identify suitable water source for drawl of water to meet the requirement of the project for its construction needs, operation of the plant as well as auxiliary requirements for services and other related facilities.
- (ii) The approximate requirement of water will be 4000 cum/day during the construction and operation period of the steel plant.
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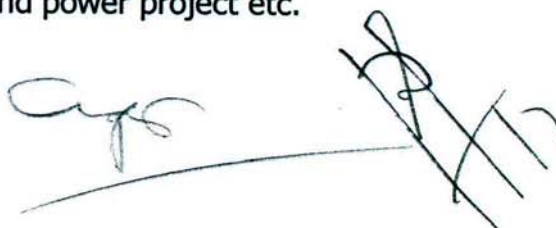
- (iii) The approximate requirement of water will be 200 cum/hr during the construction and operation of the power plant of 16 MW.
- (iv) A suitable technical solution for drawl of water will be finalized by Government of Orissa through its nominated agency, the Orissa Industrial Infrastructure Development Corporation (IDCO) in consultation with MGMSL.
- (v) The head works and control mechanism for the drawl of water will be constructed and maintained by IDCO for this purpose and the capital cost for the same shall be borne by MGMSL and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on behalf of MGMSL or may be allowed to be constructed and operated by MGMSL as mutually agreed upon.
- (vi) Water will be supplied by IDCO to meet the necessary requirement of MGMSL 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 MGMSL to IDCO in this regard.

(D) Power

The total estimated requirement of power for the proposed steel plant will be approximately 30 MW which will be partly met from the Captive Power Plant of 16 MW. The balance will be met from WESCO. Surplus power from the Captive Power Plant, if any should first be offered to GRID Corporation of Orissa (GRIDCO) or any other corporation so designated by the State Government at a tariff determined by Orissa Electricity Regulation Commission (OERC).

(E) Environment

- (i) The Government of Orissa agree to assist MGMSL in obtaining No Objection Certificate (NOC) through the State Pollution Control Board for construction of the plant, development of iron ore or coal mines, the housing colony, pipeline and power project etc.

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- (ii) Government of Orissa agree to assist MGMSL in obtaining all clearances from the Central Government.
- (iii) MGMSL will arrange to conduct rapid Environment Impact Assessment (EIA) and detailed EIA study, prepare Environment Management Plan (EMP) for the project. The Government of Orissa agrees to assist in this regard in accordance with the Law during the time when EIA is being conducted and EMP is being prepared.

(F) Incentives and concessions

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

(G) General Clauses:

- (a) The Government of Orissa appreciate that MGMSL is fully committed to the proper resettlement and rehabilitation of the project affected households. Accordingly, MGMSL will implement a model programme in conformity with Government of Orissa's policy guidelines for the resettlement and rehabilitation of the households affected by the project ensuring in particular, their livelihood security. MGMSL will also take appropriate mitigation measures to ensure that local environment of the project areas is not adversely affected by the industrial and mining activities.
- (b) The Government of Orissa appreciate that MGMSL is a responsible corporate house with a high involvement in employee's welfare and social development. The Government of Orissa therefore anticipates that MGMSL will bring this philosophy to the steel plant project being set up at Nimidiha, PS-Motagaon in Dhenkanal District in the State of Orissa to ensure the well being of those areas in particular and the people of Orissa in general.
- (c) In the matter of employment, preference will be given to the people of Orissa as well as local persons subject to need and their possessing the



necessary qualifications. MGMSL will also make every effort to improve their skill levels, if necessary, through specialized training for this purpose, for which a nodal Agency or Officer will be nominated by the Government of Orissa to coordinate with the MGMSL.

- (d) MGMSL will be entitled to induct suitable Foreign or Indian Joint Venture partners, choose appropriate financial options, suppliers, credit options and technologies in the best interest of the project in accordance with the Law.
- (e) MGMSL shall effect sale of all its products (including inter-State sales) in the State of Orissa and shall not affect 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 MGMSL has made substantial progress on the implementation of the project in terms of construction, erection of plant and machinery and investment at site to the satisfaction of the Government of Orissa in these two years in implementing the project as envisaged in this MoU.
- (g) MGMSL understands that the offers and special consideration of the Government of Orissa indicated in this MoU are for the steel project envisaged in para-2 (a) of this MoU where the final product is steel or steel products and not for any intermediary product unless the same is for captive use in the Steel plant.
- (h) MGMSL shall be required to produce documents towards financial closure within one year of signing of MoU.
- (i) In the event of non-implementation of the project or part thereof, the corresponding support or commitment of the Government of Orissa



indicated in the MoU with regard to iron ore mines and coal block, incentive and concessions of the Government of Orissa in particular, shall be deemed to be withdrawn.

- (j) The MoU shall terminate in the event MGMSL 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 Government of Orissa for such purpose.
- (k) It shall be obligatory on MGMSL to furnish all information required by the Government of Orissa relevant to planning, formulation, layout, financing and implementation of the project as well as the financial and management status and performance of MGMSL as and when so required by the Government of Orissa as expeditiously as possible.
- (l) MGMSL 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 the operation and to promote the ancillary and downstream industries within the state. The Government of Orissa will nominate a nodal Agency or Officer to interact with MGMSL for this purpose.
- (m) MGMSL, while implementing the project undertakes to comply with all statutory requirements and clearances in respect of laws, rules and regulations and procedures governing establishment and operation of industries.
- (n) MGMSL shall comply with all applicable laws and policies of the Republic of India and the GOO including more specifically those relating to environment, mining, scheduled area, rehabilitation and socio-economic development in the periphery of the project and also including the Orissa Government Notification No. 375 dated 15th January, 2004.



- (o) MGMSL shall have its registered office for Orissa Project in Bhubaneswar or any other suitable place in Orissa.
- (p) MGMSL 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 Government of Orissa representative in the Steel & Mines Department, IDCO and the district administration.
- (q) MGMSL will cooperate with Government of Orissa in fulfilling its obligation under the Apprentice Act and also assist in State level manpower planning by indicating its medium and long term requirements.

IN WITNESS WHEREOF the parties hereto have set their hands to this MOU on this 22nd day of December, 2006.

SIGNED AND DECLARED BY:

**Signed by Officer acting in the
Premises for and on behalf of
Governor of Orissa**


(L.N.Gupta)

Commissioner-cum-Secretary
Department of Steel & Mines

**For and on behalf of MGMSL
MGM Steels Ltd**


(Rajib Lochan Mohanty)
Managing Director
MGM Steels Ltd

Witness

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Address :**

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