

**MEMORANDUM OF UNDERSTANDING BETWEEN THE  
GOVERNMENT OF ORISSA AND M/S RATHI UDYOG LIMITED  
FOR ESTABLISHMENT OF A STEEL PLANT AT PATTAPALLI IN  
THE DISTRICT OF SAMBALPUR, ORISSA.**

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This Memorandum of Understanding is made on this 4<sup>th</sup> day of May, 2005 between Government of Orissa on the one part and M/s Rathi Udyog Limited on the other part.

1. M/s Rathi Udyog Limited (RUL) having its Registered Office at 26A, Sadhna Enclave, New Delhi-110 017 (hereinafter referred to as RUL 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 0.3 MTPA of steel plant at Pattapalli in the district of Sambalpur, Orissa with an estimated investment of about Rs.272.85 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) RUL is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs.272.85 crores.

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Sl. No.	Project	Capacity in (MTPA)	Project cost (Rs. in Crore)	Time Schedule for commissioning of manufacturing facilities from date of MoU.
1.	Sponge Iron	0.15	52.00	Within three years.
2.	Pig Iron	0.10	40.00	
3.	Steel Billets	0.30	53.00	
4.	Power	25MW	62.00	
5.	Others		65.85	
		<b>Total</b>	<b>272.85</b>	

(b) Within three months of signing this MoU, RUL 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.

4. This Memorandum of Understanding (MoU) reaffirms the commitment of RUL 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.

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

**(A) Land:**

- RUL will require approximately 250 acres of land for the purpose of setting up the steel plant at Pattapalli in the district of Sambalpur and associated facilities
- For rehabilitation of displaced families, Rehabilitation and Resettlement Package would be implemented as per prevailing guidelines and practices.
- The Government of Orissa agrees to hand over the land free from all encumbrances to RUL through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the plant and allied facilities.

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- (d) RUL agrees to pay IDCO/Revenue authorities the cost of the land etc.

**(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 RUL 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 RUL 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 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.

RUL 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

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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.

RUL 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 RUL 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:**

The State Government will permit withdrawal of water from Hirakud Reservoir/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:

**Water: 10000 Cum/day**

The State Government will also permit implementation of the water supply scheme to be prepared by RUL and Water Resources Department.

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The promoter undertakes to ensure de-weeding of power channel of Hirakud Reservoir as per the direction of Water Resources Department from time to time.

**(D) Power:**

The requirement of power for the project will be around 35 MW (approx.). The company is setting up a 25MW co-generation power plant to meet a part of its power requirement. The balance power will be sourced from WESCO.

RUL will approach GRIDCO for sale of any surplus power to GRIDCO or any other Corporation so designated by the State Government at a tariff determined by OERC.

**(E) Environment:**

- i. The Government of Orissa agrees to assist RUL 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 RUL in obtaining all clearances from the Central Government.
- iii. RUL 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 RUL in this regard during the time when EIA is being conducted and EMP is being prepared.

**(F) Incentives and concessions:**

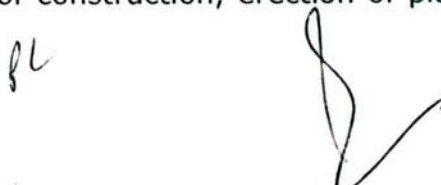
RUL understands that the State Government would consider such incentives and concessions as are provided in the relevant Industrial Policy Resolution (IPR) of the State Government.

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**(G) General Clauses:**

- (a) The Government of Orissa appreciate that RUL is a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa, therefore, anticipate that RUL will bring this philosophy to the steel plant project being set up in the district of Sambalpur to ensure the well being of this district in particular and the people of Orissa in general. In terms of employment, preference will be given to the local persons subject to need and their possessing the necessary qualifications. RUL 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.
- (b) The Government of Orissa appreciates that RUL 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.
- (c) RUL 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.
- (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 RUL 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) RUL 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) RUL shall be required to produce document towards financial closure within one year of signing of MoU.
- (g) 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.
- (h) 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.
- (i) 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.

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(j) 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.

(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 15<sup>th</sup> January, 2004 of Government of Orissa.

For witness whereof the parties hereto have set their hands to this MoU on this 4<sup>th</sup> day of May, 2005.

**For Government of Orissa**

**For Rathii Udyog Limited**



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



**(Mr. P.C.Rathii)**  
**Chairman**