

Memorandum of Understanding BETWEEN the Government of Orissa and M/s SSL Energy Limited for establishment of Integrated Steel Plant at Nuahata near Banarapal in Angul District or at any other suitable site in the State of Orissa

This Memorandum of Understanding is made on this 21st day of December 2006 BETWEEN Governor of Orissa, hereinafter referred to as the Government of Orissa (GOO) on the one part

AND

M/S SSLEL Energy Limited, (SSLEL), a company registered under the companies Act, 1956 having its Registered Office at 110, Royal Ratan, 7, M.G. Road, Indore-1(M.P.) (hereinafter referred to as SSLEL, which expression shall, unless repugnant to the context or meaning thereof, include its successors, executors, administrators, representatives and permitted assignees) of the other part

SSLEL is proposing to set up a 3 Million Tonnes Per Annum (MTPA) Steel Complex at Nuahata near Banarapal in Angul District or at any other suitable site in the state of Orissa with total investment of Rs. 8,609 Crore.

2. (a) SSLEL is desirous of setting up of the following manufacturing facilities in the State of Orissa with proposed investment of Rs.8,609 Crore.

Sl. No	Project	Capacity (in Million Tons Per Annum)	Project Cost Rs. in Crore (approx.)	Time schedule for commissioning manufacturing facilities from the date of signing of the MoU
Ph-I	Blast Furnace	3.71	1309	Within Three Years
	Steel Melting Shop	3.35	1239	
	Slab Caster	3.00	991	
	CPP	200 MW	800	
	Total		4,339	
Ph-II	Coke Oven Battery	1.76	959	Within Five Years
	Sinter Plant	5.27	988	
	Hot Strip Mill	3.00	2181	
	Agri products based units		142	
	Total		4,270	
	Gr. Total		8,609	

- (b) Within three months of signing this MoU, SSLEL shall prepare in consultation with the representatives of Industrial Promotion and Investment Corporation /Industrial Infrastructure Development Corporation 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 SSLEL 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. Further, the SSLEL through one of their group companies also proposes to promote Oil Palm Plantation, Soya Bean cultivation and establish manufacturing facilities for value added Soya products. With the support of the State Government, they plan to set up Oil Palm Nursery in Mayurbhanj and promote Palm cultivation over 1000 hectares within next 2 years. They also propose to organize training camps for the farmers for educating them on modern techniques of palm cultivation. They propose to set up manufacturing facilities for the following value added Soya Products near Paradeep at a cost of Rs. 142 crore.

Item	Capacity
Texturised vegetable protein	200 TPD
Soya Flour	100 TPD
Soya extraction	500 TPD

The company will submit a detailed plan of action to the Government of Orissa for monitoring project.

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

(A) LAND

- (a) SSLEL will require approximately 2000 acres of land for the purpose of setting of steel plant and associated facilities.

Name of the Village/District.	Area required in acres
Nuahata near Banarapal in Angul District or in any other suitable site in the State.	2000 acres
Total	2000 acres

However, the requirement of land as assessed by SSLEL 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) Besides, SSLEL will require 50 acres of land for setting up special soya product processing unit at or near Paradeep.
- (c) For rehabilitation of displaced families, rehabilitation and resettlement package would be implemented as per the policy/guidelines issued by the GOO from time to time.
- (d) The GOO agree to handover the requisite quantum of land in phase manner with reference to the detailed land use plan to be submitted by SSLEL and appraised by Industrial Promotion and Investment Corporation of Orissa Ltd (IPICOL), free from all encumbrances to SSLEL 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 the GOO subject to availability of the same.
- (e) SSLEL agrees to pay Industrial Infrastructure Development Corporation (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 GOO 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 Units (PSU). Further, the GOO will assist SSLEL 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

(i) Preliminary arrangement

The GOO agree to assist SSLEL 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 requirement of iron ore of suitable grade for initial period of steel making under mutually agreeable terms and

conditions, subject to the provisions of the applicable Laws, Rules and Public Policy.

(ii) Recommendation for Mineral Concession Application

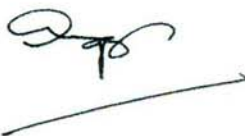
Keeping in view substantial value addition within the State, the GOO also agree to recommend its application for iron ore mine related to the installed capacity as per the Para 2 of the MoU for a period of 25 years under the Mines and Minerals (Development & Regulation) (MMDR) Act, 1957 the Mineral Concession (MC) Rules, 1960 and provisions of the applicable law, rules and policy guidelines of the GOO in the matter to meet its captive requirements subject to adequate progress in implementation of the project as envisaged in Para 2 of this MoU and subject to the SSLEL achieving the following milestones :

- (a) Award of 50% of the total orders for civil and structural contracts in terms of value;
 - (b) Placement of 20% of the total firm orders for machinery in terms of value.
- (iii) Recommendation of the application by the GOO, for iron ore mine will be subject to the condition that SSLEL do not have an existing mining area or controlling interest or any long term arrangement for supply of iron ore in any company or concern having mining area for the relevant mineral in the State. In case they do have such area or interest, their requirement shall be reassessed by the GOO after taking into consideration the quantity of mineral that can be met from those sources.
- (iv) At the time of actual grant of mining lease, SSLEL should have invested at least 50% of the total project cost as per the detailed project report or relevant document.

(C) Water:

- (i) The GOO 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 5000 cum/hr during the construction and operation period of the steel plant.

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- (iii) A suitable technical solution for drawl of water will be finalized by the GOO through its nominated agency, the Orissa Industrial Infrastructure Development Corporation (IDCO) in consultation with SSLEL.
- (iv) 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 SSLEL and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on behalf of SSLEL or may be allowed to be constructed and operated by SSLEL as mutually agreed upon.
- (v) Water will be supplied by IDCO to meet the necessary requirement of SSLEL through appropriate commercial agreements which will include full reimbursement of water rate to be paid by IDCO to the GOO for this purpose. All other statutory dues as may be payable, will also be payable by SSLEL to IDCO in this regard.

(D) Power:

The total estimated requirement of power for the proposed steel plant will be approx. 200 MW, which will be met from the Captive Power Plant to be set up by the Company. Surplus power from the said Power Plant, if any should first be offered to GRID Corporation of Orissa (GRIDCO) or any other corporation so designated by the GOO at a tariff determined by Orissa Electricity Regulation Commission (OERC).

(E) Environment:

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

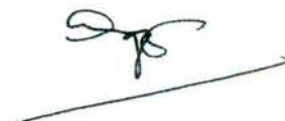
(F) Incentives and Concessions:

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

G) General Clauses:

- (a) The GOO appreciate that SSLEL is fully committed to the proper resettlement and rehabilitation of the project affected households. Accordingly, SSLEL will implement a model programme, in conformity with the GOO's policy guidelines for the resettlement and rehabilitation of the households affected by the project ensuring in particular, their livelihood security. SSLEL 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 GOO appreciates that SSLEL is a responsible corporate house with a high involvement in employee's welfare and social development. The GOO therefore anticipates that SSLEL will bring this philosophy to the steel plant project being set up at Nuahata in Angul district or in any other suitable site 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. SSLEL 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 GOO to coordinate with the SSLEL.
- (d) SSLEL 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) SSLEL 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 SSLEL 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 GOO in these two years in implementing the project as envisaged in this MoU.
- (g) SSLEL 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) SSLEL 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 GOO indicated in the MoU with regard to iron ore mines and coal block, incentive and concessions of the GOO in particular, shall be deemed to be withdrawn.
- (j) The MoU shall terminate in the event SSLEL 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 SSLEL to furnish all information required by the GOO relevant to planning, formulation, layout, financing and implementation of the project as well as the financial and management status and performance of SSLEL as and when so required by the GOO as expeditiously as possible.
- (l) SSLEL 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 GOO will nominate a nodal Agency or Officer to interact with SSLEL for this purpose.



- (m) SSLEL, 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) SSLEL shall comply with all applicable laws, relevant notification 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.
- (o) SSLEL shall have its registered office for Orissa Project in Bhubaneswar or any other suitable place in Orissa.
- (p) SSLEL 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 GOO representative in the Steel & Mines Department, IDCO and the district administration.
- (q) SSLEL 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 21st day of December, 2006.

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


(L. N. Gupta, IAS)
Commissioner-cum-Secretary
Department of Steel & Mines

Witness
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Address :

2.
Address :

**For and on behalf of
SSL Energy Limited**


(Umesh Shahra)
Director
SSL Energy Limited

Witness
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Address :

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