

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF ORISSA AND THE TATA IRON & STEEL COMPANY LIMITED FOR ESTABLISHMENT OF AN INTEGRATED STEEL PLANT AT KALINGA NAGAR INDUSTRIAL COMPLEX IN THE DISTRICT OF JAJPUR, ORISSA.

Memorandum of Understanding is made this on the 17th day of November, 2004 between Government of Orissa of the One Part and The Tata Iron & Steel Company Limited of the Other Part.

1. M/s Tata Iron and Steel Company Limited (Tata Steel), having its registered office at Bombay House, 24, Homi Mody Street, Mumbai 400. 001, (hereinafter referred to as Tata Steel, 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 an integrated steel plant of a total capacity of 6 million tonnes per annum in the State of Orissa at Kalinga Nagar Industrial Complex in Jajpur district.
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, has 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. Tata Steel has a century-old association with the state, from the time of its inception. Tata Steel, guided by its founder's philosophy, has relentlessly striven to fulfill its social responsibilities by adhering to a strict ethical code of conduct, adopting eco-friendly practices in mining and industrial operations and endeavouring to improve the quality of life of the



communities it serves. Tata Steel believes that the prime role of business is to bring about sustainable development of the people of the state and the country.

4. The Government of Orissa and Tata Steel agree to be "Partners in Progress" and have, therefore, come together to record their intentions through this Memorandum of Understanding (MoU).

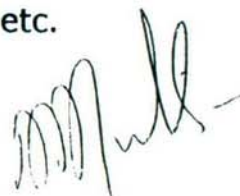
5.(a) Tata Steel is desirous of setting up the following manufacturing facilities in the State of Orissa. The project details are given in the table below:

Sl. No	Project	Capacity in Million Tonnes per annum	Project Details	Project cost in Rs. Crore (Approx)	Time Schedule for commissioning of manufacturing facilities from date of MoU	Finished products
1	Steel Plant with Blast Furnaces along with other facilities like Coke Plant, Sinter Plant, Lime Plant etc. Captive Power Plant, Steel Melt Shop with Casters and Rolling Mills etc.	6 (In two modules of 3 million tonnes each)	1st Module : Crude Steel – 3 mtpa Finished Steel – 2.65 mtpa	10,400	48 months.	HR Coil etc.
			2nd Module : Crude Steel – 3 mtpa Finished Steel – 2.65 mtpa	5,000	24 months thereafter	HR Coil etc.

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- (b) The proposed steel plant at Kalinga Nagar Industrial Complex, in Jajpur District, with the capacity as mentioned above will come up in two modules as indicated above.
- (c) Within three months of signing this MoU, Tata Steel shall prepare in consultation with representatives of IPICOL/IDCO detailed milestones in the form of annual break up of the physical and financial targets for the first module to be achieved in 48 months and furnish the same to the State Government.
6. This Memorandum of Understanding (MoU) reaffirms the commitment of Tata Steel to establish an integrated steel plant and assistance of the Government of Orissa for providing land, recommending and facilitating availability of iron ore and coal and infrastructure facilities required for the project. The major areas of co-operation assured, between the Government of Orissa and Tata Steel are listed below:
- (A) Land:**
- a) Tata Steel will require approximately 2400 acres of land at Kalinga Nagar Industrial Complex, in the District of Jajpur, for the purpose of setting up the 6 million tonnes per annum integrated steel plant and associated facilities.
 - b) The Government of Orissa agrees to hand over 2000 Acre of land at Kalinga Nagar Industrial Complex, immediately and remaining 400 Acre subsequently free from all encumbrances to Tata Steel through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the plant and allied facilities.
 - c) Further, the Government of Orissa/IDCO agrees to acquire and provide land to Tata Steel for development of Civil Township and infrastructure like road, rail link etc.



- d) For rehabilitation of displaced families, if any, Rehabilitation and Resettlement Package would be implemented as per prevailing guidelines and practices of Government of Orissa.
- e) Tata Steel agrees to pay IDCO the cost of land, contribution for development of common infrastructure, annual ground rent and cess as applicable.

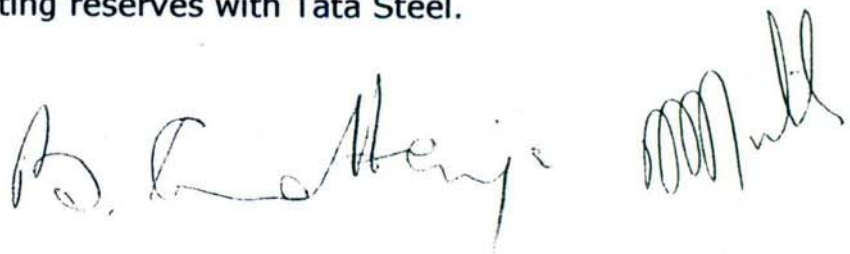
(B) Raw Materials:

Coal:

In case Tata Steel requires coal for the captive power plant as well as for the production process, State Government agrees to recommend to the Government of India for allotment of suitable coal block for captive coal mining for the project. Further, the State Government will assist Tata Steel to get the allocation of coal linkage of suitable grade in the desired quantity to meet their requirement until it is ready for mining of its coal block.

Iron Ore and Other Minerals:

- a) Tata Steel has indicated that an integrated steel plant of the size of six million tonnes of steel per annum can be established only with the assured source of captive iron ore mines containing at least 250 million tonnes of reserves of iron ore.
- b) Tata Steel requests the Government of Orissa to make available adequate iron ore reserves for the Kalinga Nagar Steel plant project. The State Government will consider the request after taking into account the total requirement of Tata Steel, the provisions of the MMDR Act, and the MC Rules as well as the existing reserves with Tata Steel.



c) State Government will take a decision on (b) above after the following milestones have been achieved by Tata Steel, with reference to 1st module as indicated in 5(a).

- 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.

d) The Government of Orissa will assist Tata Steel in obtaining all clearances, including forest and environment clearance and approval of the State Pollution Control Board, and the Ministry of Environment and Forests, Government of India under Forest (Conservation) Act, 1980 and Environmental (Protection) Act, 1986 for opening up the iron ore mines, laying roads, constructing township etc.

e) Tata Steel will construct townships in the mining areas for its workforce for which land will be made available to Tata Steel by the Government of Orissa, as per rules.

f) The Government of Orissa agrees to provide all possible assistance to Tata Steel for acquiring mineral concession for limestone and other minerals required for the steel plant operations within the ambit of MM(DR) Act and MC Rules.

(C) Water:

a) The Government of Orissa will permit withdrawal of water from the Kharsuan river upstream of Jakoria barrage/ a suitable source of water for construction and operation of the aforesaid project and housing colony, as per the prevailing rates under appropriate terms and approval of the Water Allocation Committee.



For this purpose, if up-gradation/renovation of Jakoria barrage or any other measure is found to be necessary, the same shall be done. Tata Steel will contribute proportionately to the cost incurred.

- b) The Government of Orissa agrees that Tata Steel may build necessary infrastructure, including creation of water bodies, laying of pipelines etc. to pump required amount of water for the operation of the steel plant and townships.
- c) The Government of Orissa agrees that Tata Steel can meet the requirement of water for the iron ore mines for mining and allied operations, as well as for townships to be established in these areas, from a suitable source subject to approval of Water Allocation Committee as in (a) above.

(D) Power:

- a) Tata Steel plans to set up Captive Power Plant(s). Capacity of captive power plant would be 120 MW (approx.) for 6 million tonnes per annum steel plant, depending upon availability of waste gases and coal.
- b) The Government of Orissa agrees to arrange for supply of power to the steel plant through GRIDCO/distribution licensee. The requirement for the steel plant of total capacity of 6 million tonnes will be about 322 MVA (289 MW) from the grid. The details of the year-wise buildup of power requirement will be worked out by Tata Steel and indicated to the Government of Orissa and GRIDCO/ distribution licensee.

For strengthening the existing power infrastructure to meet the emergency power demand, Tata Steel agrees to deposit Rs.10 lakhs per MW in advance, which will be refunded by GRIDCO (through adjustment against energy bills) in 60 equal monthly

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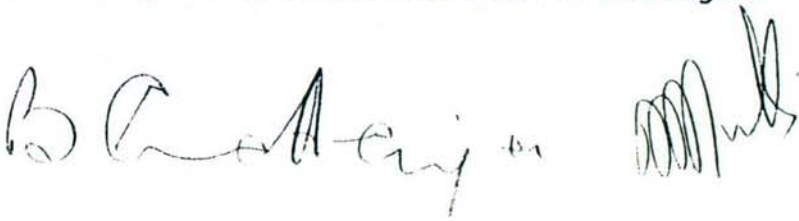
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installments after commencement of production in accordance with the model agreement approved for the new steel projects in the State.

- c) The power requirement at the construction stage is estimated at 10 MVA. The Government of Orissa agrees to arrange to supply the required power through GRIDCO/distribution licensee.
- d) The supply of the required power for the water supply, township and mines shall be made from the concerned distribution company.
- e) Tata Steel, the power producer/joint venture will be permitted to transmit and supply / sell or deal with power from the power plant, as and when need arises, to its other units / industries/GRIDCO/distribution licensee or any other consumers subject to open access regulations of OERC made under the provisions of Electricity Act, 2003

(E) Environment:

- a) The Government of Orissa agrees to assist Tata Steel in obtaining no objection certificate (NOC) through the State Pollution Control Board for the construction of the plant, the housing colonies, mines, water supply infrastructure, power projects etc.
- b) The Government of Orissa agrees to assist Tata Steel in obtaining all clearances from the Central Government.
- c) Tata Steel will arrange to conduct a rapid Environment Impact Assessment (EIA) and a detailed EIA study and prepare an Environment Management Plan (EMP) for the project. The Government of Orissa agrees to assist Tata Steel in this regard



during the time when EIA is being conducted and EMP is being prepared.

(F) Incentives and Concessions:

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

(G) Railways, Roadways & Port:

- (a) Tata Steel and the Government of Orissa will together and/or separately pursue with the Government of India, Ministry of Railways, for the expeditious completion of the Banspani-Daitari railway linkage.
- (b) The Government of Orissa will assist in making available necessary land for railway link from the nearest railhead to the mines and steel plant for transportation of raw materials and finished goods. Tata Steel will pay for the cost of such land as per rules.
- (c) The Government of Orissa and Tata Steel would follow-up with the Ministry of Railways, East Coast Railways for strengthening and development of adequate rail network in Kalinga Nagar Industrial Complex area capable of movement of traffic keeping in view the industrialization of that area.
- (d) The Government of Orissa will facilitate Tata Steel in construction of approach roads to the steel plant as well as connecting service roads to the iron ore & coal mines.
- (e) In order to ensure that adequate port facilities are available within a reasonable distance from the steel plant, Tata Steel, in Joint Venture with Larsen & Toubro will build a deepwater, all weather



port at Dhamra capable of handling cape-size vessels. Towards this, Tata Steel has signed on 29th October 04, definitive Joint Venture Agreements viz. Share Subscription Agreement and Share holders' Agreement with Larsen & Toubro to hold 50% equity in Dhamra Port Company Ltd (DPCL), which will build and operate the port at Dhamra on BOOST basis under the Concession Agreement. Tata Steel is developing this port to ensure the availability of world-class port infrastructure for the proposed steel plant. The Government of Orissa appreciates that this deepwater all weather port is of vital importance to the steel plant project and, therefore, agrees to facilitate the commissioning of the port.

- (f) However, the above clauses shall not be a pre-condition for the execution of module-I and module-II of the project within the specified time frame.

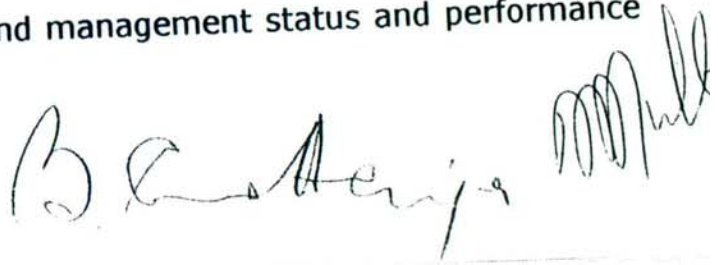
(H) General Clauses:

- (a) The areas of co-operation mentioned above highlight only the major issues involved in setting up of the steel plant. Other issues, as and when they arise, and sharing of the responsibilities between both parties shall be decided through mutual agreement on a case-to-case basis. In general, the Government of Orissa agrees to render all assistance to facilitate Tata Steel in establishing the steel plant.
- (b) The Government of Orissa appreciates that Tata Steel is a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa, therefore, anticipates that Tata Steel will bring this philosophy to the steel plant project being set up in the district of Jajpur 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 persons of Orissa subject to need and their



possessing the necessary qualifications. Tata Steel will make every effort to improve their skill levels, if necessary, through specialized training.

- (c) Tata Steel agrees to effect sale of all its products of the Kalinga Nagar Plant (including inter-state sales) in the State of Orissa. These stipulations are not, however, applicable to export of finished products outside the country.
- (d) The Government of Orissa appreciates that Tata steel will be entitled to induct suitable Joint Venture partners, choose appropriate financial options, suppliers, credit options and technologies in the best interest of the project.
- (e) Tata Steel understands that the offers and special considerations of the State Government indicated in this MoU are for the Steel project envisaged in para-5 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 in Orissa.
- (f) Tata Steel shall be required to produce document towards financial closure for module-I within 18 months of signing of the 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 Tata Steel 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 MoU shall remain valid for a period of three 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 Tata Steel 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 three years in implementing the project as envisaged in this MoU.

Signed on the date mentioned herein above at Orissa Secretariat, Bhubaneswar, by the authorized representatives of the parties to this Memorandum of Understanding.

**For and on behalf of the
Government of Orissa**

**For and on behalf of the
Tata Iron and Steel Company Ltd.**


**Principal Secretary to Government
Department of Steel & Mines**


**(B. Muthuraman)
Managing Director.**