

# Memorandum of Understanding between the Governor Of Orissa And M/S Uttam Galva Steels Limited for establishment of an Integrated Steel Plant and a Captive Power Plant in Orissa and a New Generation Bi-cycle Plant at Gopalpur in the district of Ganjam (Orissa)

This Memorandum of Understanding is made on this 13<sup>th</sup> day of October, 2006 BETWEEN Governor of Orissa (hereinafter referred to as the Government of Orissa) on the one part AND M/s Uttam Galva Steels Ltd. (UGSL), a company registered under the Companies Act, 1956 having its registered office at Uttam House, 69, P.D.Mello Road, Mumbai-400009 (hereinafter referred to as UGSL which expression shall, unless repugnant to the context or meaning thereof, include its successors, executors, administrators, representatives and permitted assignees) of the other part.

2. UGSL is proposing to set up a 3.00 Million Tonne Per Annum (MTPA) Steel Complex at a cost of Rs.7997 crore, a Captive Power Plant of 210 MW (including waste heat recovery plant) at a cost of Rs. 840 crore at a suitable location in the State of Orissa and a new generation Bi-cycle project at a cost of Rs.150 crore at Gopalpur in Ganjam district (Orissa).

3. (a) UGSL shall set up the following manufacturing facilities in the State of Orissa with proposed total investment of Rs.8987 crore including a Bi-cycle project at Gopalpur in the district of Ganjam (Orissa).

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
1.	Blast Furnace Complex	2.10	1538.00	Within Four Years
2.	DRI	0.90	360.00	
3.	Steel Making	3.10	1463.00	
4.	Hot Strip Mill & Billets & Rod Mill	3.00	1567.00	
5.	Captive Power Plant (including waste heat recovery plant)	210 MW	840.00	
6.	Services & Utilities		1796.00	
7.	Others		1273.00	
8.	Bi-cycle plant		150.00	
	<b>Total:</b>		<b>8987.00</b>	



- (b) Within three months of signing this MOU, UGSL shall prepare in consultation with representatives of Industrial Promotion and Investment Corporation (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.
- (c) UGSL proposes to undertake a new generation Bi-cycle project with an investment of approximately Rs.150.00 crore with a land requirement of 300 acres at Gopalpur in the district of Ganjam. The project is proposed to be a low cost & pollution free project. Implementation of this project will commence immediately after the physical possession of the land is handed over and the project may be completed within 18 months from the said date.
4. This Memorandum of Understanding (MoU) reaffirms the commitment of UGSL to establish an integrated steel plant, power plant and a Bi-cycle plant.
5. The major areas of co-operation between the Government of Orissa and UGSL are listed below:

**(A) LAND**

- (a) UGSL will require approximately 2150 acres of land for the purpose of setting of steel plant and a Captive Power Plant (CPP). However, the requirement of land as assessed by UGSL is subject to re-examination by IPICOL/IDCO with reference to detailed land utilization map for the project. Besides, they require 250 acres of land for the new generation Bi-cycle plant at Gopalpur.
- (b) It is noted that adequate land is not available at Duburi for establishment of the proposed integrated steel plant and Captive Power Plant (CPP). IDCO will, therefore, assist the UGSL in identifying an alternative location for the steel project. Accordingly, UGSL may surrender 600 acres of land at Duburi to IDCO and the payment already made by them to IDCO towards the cost of the land at Duburi may be adjusted against the

alternative land to be acquired for the above purpose. IDCO will also assist the UGSL in acquiring 250 acres of land at Gopalpur for the proposed Bi-cycle plant.

- (c) For rehabilitation of displaced families, rehabilitation and resettlement package would be implemented as per the policy or guidelines issued by the Government of Orissa from time to time.
- (d) The Government of Orissa agrees to handover the requisite quantum of land in phases with reference to the detailed land use plan to be submitted by UGSL and appraised by Industrial Promotion and Investment Corporation (IPICOL), free from all encumbrances to UGSL through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the plants and allied facilities on payment of cost as to be assessed by IDCO or Government of Orissa.
- (e) UGSL 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 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 Public Sector Undertaking. Further, the Government of Orissa will assist UGSL 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 Government of Orissa agrees to assist UGSL 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.

**(ii) Recommendation for Mineral Concession Application**

Keeping in view substantial value addition within the State, the Government of Orissa also agree to assign appropriate priority in the matter of recommending its application for iron ore mine related to the installed capacity as per Para 2 of the MoU for a period of 25 years under the Mines and Mineral Development & Regulation Act (MMDR Act) and the Mineral Concession Rules (MC Rules) and provisions of the applicable law, rules and policy guidelines of the Government of Orissa 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 UGSL 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 for iron ore mine will be subject to the condition that UGSL 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 Government of Orissa 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, UGSL should have invested at least 50% of the total project cost as per the detailed project report or relevant document.

**[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 power plant as well as auxiliary requirements for services and related facilities.

- (ii) The approximate requirement of water will be 4000 cum/hr during the construction and operation period of the steel plant.
- (iii) The approx. requirement of water will be 600 Cum/Hr during the operation of the power plant of 210 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 UGSL.
- (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 UGSL and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on behalf of UGSL or may be allowed to be constructed and operated by UGSL as mutually agreed upon.
- (vi) Water will be supplied by IDCO to meet the necessary requirement of UGSL 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 UGSL to IDCO in this regard.

**(D) Power:**

The total estimated requirement of power for the proposed steel plant will be approximately 300 MW, which will be partially met from the Captive Power Plant of 210 MW and the balance from the concerned distribution agency. Besides, the power needed for the Bi-cycle plant at Gopalpur in the district of Ganjam will be supplied from the concerned distribution agency. Surplus power from the captive power plant, if any, should first be offered 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 UGSL in obtaining NOC through the State Pollution Control Board for the construction of the plant, development of iron ore and coal mines, the housing colony, pipeline, power project etc.
- (ii) Government of Orissa agrees to assist UGSL in obtaining all clearances from the Central Government.
- (iii) UGSL 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 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:**

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

**(G) General Clauses:**

- (a) The Government of Orissa appreciates that UGSL is fully committed to the proper resettlement and rehabilitation of the project affected households. Accordingly, UGSL will implement a model programme in conformity with Government of Orissa's policy for the resettlement and rehabilitation of the households affected by the project ensuring in particular, their livelihood security. UGSL 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 appreciates that UGSL is a responsible corporate house with a high involvement in employee's welfare and social development. The Government of Orissa, therefore, anticipates

that UGSL will bring this philosophy to the steel plant project to ensure the well being of the people of the district concerned 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, UGSL will 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 co-ordinate with the UGSL.
  - (d) UGSL 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) UGSL 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.
- 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 UGSL has made substantial progress on the implementation of the project in terms of construction, erection of plant & 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) UGSL 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 products is steel/steel products and not for any intermediary product unless the same is for captive use in the Steel plant.





- (h) UGSL 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 mine 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 UGSL 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 UGSL 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 UGSL as and when so required by the Government of Orissa as expeditiously as possible.
- (l) UGSL 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 UGSL for this purpose.
- (m) UGSL 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) UGSL shall comply with all applicable laws and policies of the Republic of India and State of Orissa including more specifically those relating to environment, mining, rehabilitation and socio-economic development in the periphery of the project and also including the Orissa Government





Notification No. 375 dated 15<sup>th</sup> January, 2004 which is annexed as annexure.

- (o) UGSL shall have its registered office for Orissa Project in Bhubaneswar or any other suitable place in Orissa. It will also open an office at Gopalpur in the district of Ganjam for the new generation Bi-cycle project.
- (p) UGSL 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) UGSL 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.

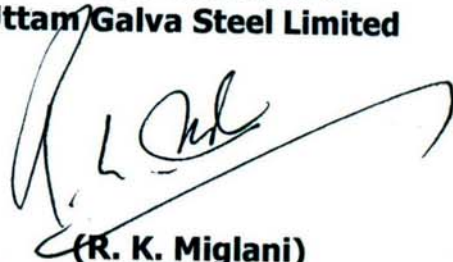
IN WITNESS WHEREOF the parties hereto have set their hands to this MOU on this day of 13<sup>th</sup> October, 2006.

**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

**For and on behalf of  
Uttam Galva Steel Limited**



**(R. K. Miglani)**  
Chairman & Managing Director

**Witness**

**1.**

**2.**

**3**

**Witness**

**1.**

**2.**

**3.**