

Memorandum of Understanding between the Government Of Orissa And M/S Welspun Power & Steel Limited for establishment of Integrated Steel Plant and Pipe Plant in Orissa

This Memorandum of Understanding is made on this 11th day of October, 2006 between Governor of Orissa, hereinafter referred to as the Government of Orissa on the one part AND M/S Welspun Power & Steel Limited, (WPSL), a company registered under the companies Act, 1956 having its Registered Office at Welspun City, Survey No.650, Village Versamedi, Taluka Anjar, District Kutch, Gujarat (hereinafter referred to as WPSL, 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 a 3.00 Million Tonne per annum (MTPA) Steel Plant, Pipe Plant & 150 MW Power Plant at a suitable location in the State of Orissa with an investment of Rs.6103.80 Crore.

2. a) WPSL is desirous of setting up of the following manufacturing facilities in the State of Orissa with proposed investment of Rs.6103.80 crore.

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
Steel Slabs consisting	3.00	5303.80	Within Four Years
Coke oven	1.70		
Sinter Plant	4.50		
Blast Furnace	3.65		
SMS-Liquid steel	3.30		
Ductile iron pipe plant	0.10	100	Within three years
Spiral Pipe plant	0.20	100	Within 1.5 years
CPP	150 MW	600	
Total		6103.80	

- b) Within three months of signing this MOU, WPSL shall prepare in consultation with 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.

c) Implementation of Spiral Pipe Unit shall commence immediately after the physical possession of required land for such facility and operation of this Spiral Pipe Unit must commence within 12 months of taking over the land.

3. This Memorandum of Understanding (MOU) reaffirms the commitment of WPSL to establish an integrated steel plant & pipe 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 WPSL are listed below:

(A) LAND

- (a) WPSL will require approximately 2000-2200 acres of land for the purpose of setting of steel plant and associated facilities.

Name of the Village/District.	Area required in acres
Bhadrak district/Athagarh, district-Cuttack/any other suitable location in the state.	2000-2200 acres

However, the requirement of land as assessed by WPSL is subject to re-examination by IPICOL/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 phases with reference to the detailed land use plan to be submitted by WPSL and appraised by IPICOL, free from all encumbrances to WPSL 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/ Government of Orissa.
- (d) WPSL 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 PSU. Further, the Government of Orissa will assist WPSL 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 WPSL 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 agrees to assign appropriate priority in the matter of recommending 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 MMDR Act, the 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 WPSL 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 WPSL 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, WPSL 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 plant as well as auxiliary requirements for services and related facilities.
- (ii) The approximate requirement of water will be 3000 cum/hr during the construction and operation period of the steel plant.
- (iii) 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 WPSL.
- (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 WPSL and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on behalf of WPSL or may be allowed to be constructed and operated by WPSL as mutually agreed upon.
- (v) Water will be supplied by IDCO to meet the necessary requirement of WPSL 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 WPSL to IDCO in this regard.

(D) Power:

The total estimated requirement of power for the proposed steel plant will be approx. 170 MW, which will be met partly from CPP and the balance from 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 WPSL in obtaining NOC through the State Pollution Control Board for 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 WPSL in obtaining all clearances from the Central Government.
- (iii) WPSL 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:

WPSL 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 WPSL is fully committed to the proper resettlement and rehabilitation of the project affected households. Accordingly, WPSL 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. WPSL 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 WPSL is a responsible corporate house with a high involvement in employee's welfare and social development. The Government of Orissa therefore anticipates that WPSL will bring this philosophy to the steel plant project being set up at a suitable location 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, WPSL 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 Govt. of Orissa to coordinate with the WPSL.
- (d) WPSL 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) WPSL 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 WPSL 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) WPSL 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/ steel products and not for any intermediary product unless the same is for captive use in the Steel plant.

- (h) WPSL 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 WPSL 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 WPSL 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 WPSL as and when so required by the Government of Orissa as expeditiously as possible.
- (l) WPSL 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 WPSL for this purpose.
- (m) WPSL, 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) WPSL 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 15th January, 2004, which is annexed as annexure.
- (o) WPSL shall have its registered office for Orissa Project in Bhubaneswar or any other suitable place in Orissa.
- (p) WPSL 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 or Orissa representative in the Steel & Mines Department, IDCO and the district administration.
- (q) WPSL 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 11th day of October, 2006.

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

**For and on behalf of
Welspun Power & Steel Limited**

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

(B. K. Goenka)
Vice-Chairman-cum-Managing Director

Witness

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Witness

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