

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNOR OF ORISSA AND M/S PRADHAN STEEL & POWER PRIVATE LIMITED FOR ESTABLISHMENT OF INTEGRATED STEEL PLANT AND CAPTIVE POWER PLANT AT DHURUSIA IN CUTTACK DISTRICT OF ORISSA.

This Memorandum of Understanding is made on this 29th day of January, 2008 BETWEEN Governor of Orissa, (hereinafter referred to as the Government of Orissa (GoO)) on the **one part**

AND

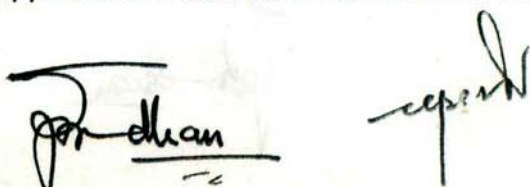
M/s Pradhan Steel & Power Private Limited (PSPPL), a company registered under the Companies Act, 1956 having its Registered Office at K-I Kalpana Area, BJB Nagar, Bhubaneswar-751014 (hereinafter referred to as PSPPL, which expression shall, unless repugnant to the context or meaning thereof, include its successors, executors, administrators, representatives and permitted assignees) of the **other part**,

PSPPL is proposing to set up an integrated steel plant of 0.50 million tonnes per annum (MTPA) capacity and a Captive Power Plant (CPP) of 24 MW (including waste heat recovery plant) at Dhurusia, Athagarh in Cuttack district in the State of Orissa with a total investment of Rs.606.00 Crore.

- 2 (a) PSPPL shall set up the following manufacturing facilities in the State of Orissa with proposed total investment of Rs. 606.00 crore steel project at Dhurusia, Athagarh in Cuttack district.

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
Mini Blast furnace	0.42	130.00	Within three years
Steel Melting Shop	0.50	90.00	
Captive Power Plant	24 MW	96.00	
Sinter Plant	0.51	50.00	
Others		240.00	
Total		* 606.00	

* The project cost, as determined by the Financial Institutions/Banks during the financial appraisal will be deemed to be final cost of the project.



- (b) Within three months of signing this MOU, PSPPL shall prepare in consultation with the representatives of Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) /Orissa 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 (GoO) for monitoring.
3. This Memorandum of Understanding (MoU) reaffirms the commitment of PSPPL to establish an integrated steel plant and power plant and assistance of the Government of Orissa (GoO) for providing land and other facilities.
4. The major areas of co-operation between the Government of Orissa (GoO) and PSPPL are listed below:

(A) Land

- (a) PSPPL will require approximately 460 acres of land for the purpose of setting up the steel plant and a Captive Power Plant (CPP). However, the requirement of land as assessed by PSPPL is subject to re-examination by IPICOL/IDCO with reference to detailed land utilization map for the project.

Name of the Village/District.	Area required in acres
Dhursia, Athagarh in Cuttack	460 acres

- (b) PSPPL commits to implement the Rehabilitation and Re-settlement Package for displaced families as per the policy/ guidelines issued by the Government of Orissa (GoO) from time to time.
- (c) The Government of Orissa (GoO) agrees to handover the requisite quantum of land in phase manner with reference to the detailed land use plan to be submitted by PSPPL and appraised by IPICOL, free from all encumbrances to PSPPL 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 Government of Orissa (GoO) subject to the availability of the same.



- (d) PSPPL 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.
- (e) The requirement of land will be allotted as per the bench marking report of M/s M.N. Dastur & Co. (P) Ltd.

(B) Raw Materials :

Coal : The Government of Orissa (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 Undertaking (PSU). Further, the Government of Orissa (GoO) will assist PSPPL 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 : The iron ore required for the plant to be set up by PSPPL shall be arranged/ procured by PSPPL themselves without any assistance of Govt. of Orissa/Orissa Mining Corporation Limited. There will not be any obligation on the part of Govt. of Orissa or Orissa Mining Corporation Ltd. to make arrangement for iron ore linkage for proposed steel project by PSPPL.

(C) Water



- (i) The Government of Orissa (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 8200 cum/day during the construction and operation period of the steel plant.
- (iii) The approximate requirement of water will be 340 cum/hr. during the operation of the power plant of 24 MW.



- (iv) A suitable technical solution for drawl of water will be finalised by the Government of Orissa (GoO) through its nominated agency, the IDCO in consultation with PSPPL.
- (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 PSPPL and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on behalf of PSPPL or may be allowed to be constructed and operated by PSPPL as mutually agreed upon.
- (vi) Water will be supplied by IDCO to meet the necessary requirement of PSPPL through appropriate commercial agreements which will include full reimbursement of water rate to be paid by IDCO to the Government of Orissa (GoO) for this purpose. All other statutory dues as may be payable, will also be payable by PSPPL to IDCO in this regard.
- (vii) The requirement of water will be sanctioned as per the bench marking report of M/s M.N. Dastur & Co. (P) Ltd.

(D) Power

The total estimated requirement of power for the proposed steel plant will be approximately 50 MW which will be partially met from the Captive Power Plant of 24 MW. The balance will be met from CESCO. Surplus power from the Captive Power Plant, if any should first be offered to GRID Corporation of Orissa (GRIDCO) or any other corporation so designated by the State Government at a tariff determined by Orissa Electricity Regulation Commission (OERC).

(E) Environment

- i. The Government of Orissa (GoO) agrees to assist PSPPL in obtaining No Objection Certificate (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 (GoO) agrees to assist PSPPL in obtaining all clearances from the Central Government.
- iii. PSPPL will arrange to conduct rapid Environment Impact Assessment (EIA) and detailed EIA study, prepare Environment Management Plan (EMP) for the project. The Govt. of Orissa agrees 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

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

(G) General Clauses

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

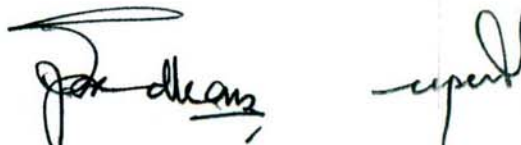


plant project being set up at Dhursia, Athagarh in Cuttack district in the State of Orissa to ensure the well being of those areas in particular and the people of Orissa in general.

- 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. PSPPL 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 Government of Orissa (GoO) to coordinate with the PSPPL.
- d) PSPPL 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 in accordance with the Law.
- e) PSPPL 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 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 PSPPL 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 Government of Orissa (GoO) in these two years in implementing the project as envisaged in this MoU.
- g) PSPPL understand that the offers and special consideration of the Government of Orissa (GoO) 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) PSPPL shall be required to produce document 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 (GoO) indicated in the MoU with regard to Iron Ore Mine and Coal Block, incentives and concessions of the Government of Orissa (GoO) in particular shall be deemed to be withdrawn.
- j) The MoU shall terminate in the event PSPPL 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 (GoO) for such purpose.
- k) It shall be obligatory on PSPPL to furnish all information required by the Government of Orissa (GoO) relevant to planning, formulation, lay out, financing and implementation of the project as well as the financial and management status and performance of PSPPL as and when so required by the Government of Orissa (GoO) as expeditiously as possible.
- l) PSPPL 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 Government of Orissa (GoO) will nominate a nodal Agency or Officer to interact with PSPPL for this purpose.
- m) PSPPL 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) PSPPL shall comply with all applicable laws and policies of the republic of India and State of Orissa including more specifically those relating to



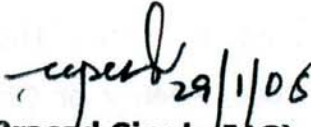
environment, mining, rehabilitation and socio-economic development in the periphery of the project and also including the Orissa Government Notification No. 375 dated 15th January, 2004.

- o) PSPPL shall have its registered office for Orissa project in Bhubaneswar or any other suitable place in Orissa. It will also open an office at Dhurusia, Athagarh in Cuttack district.
- p) PSPPL 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 (GoO) representative in the Department of Steel & Mines, IDCO and the District Administration.
- q) PSPPL will cooperate with Government of Orissa (GoO) 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 29th day of January, 2008.

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

**For and on behalf of
M/s Pradhan Steel & Power
Private Limited (PSPPL)**


(Upendra Prasad Singh, IAS)
Commissioner-cum-Secretary
Department of Steel & Mines


(Satyajit Pradhan)
Managing Director

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