

**MEMORANDUM OF UNDERSTANDING BETWEEN THE
GOVERNMENT OF ORISSA AND M/S RUNGTA MINES LIMITED
FOR ESTABLISHMENT OF STEEL COMPLEX AT KAMANDO NEAR
KOIRA IN SUNDARGARH DISTRICT & JHARBAND IN DHENKANAL
DISTRICT OF ORISSA.**

This Memorandum of Understanding is made on this 3rd day of November, 2005 between Government of Orissa on the one part and M/s. Rungta Mines Limited on the other part.

1. M/s.Rungta Mines Limited(RML) having its Registered Office at 8A, Express Tower, 42A, Shakespeare Sarani,Kolkata-700017 (hereinafter referred to as RML 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 2.00 million tonnes per annum (MTPA) Steel Complex and captive power plant of 315MW in two phases at twin locations, Kamando in Sundargarh district and Jharband in Dhenkanal district with a total investment of Rs.2275 crores.
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, have 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. (a)RML is desirous of setting up the following manufacturing facilities in two phases in the State of Orissa with proposed investment of Rs.2275 crores.



Sl. No.	Product	Capacity (in mtpa)	Project cost (Rs. in Crore (approx.))	Time schedule for commissioning manufacturing facilities from the date of signing of MOU.
Phase-I				Within three years
1.	Sponge Iron	0.85	277.00	
2.	Coke	0.21	30.00	
3.	Pig Iron	0.26	82.00	
4.	Steel Billets	1.00	99.00	
5.	Steel Bars & Wire Rods	0.27	30.00	
6.	Power	195MW	503.00	
7.	Others		187.00	
Total:			1208.00	
Phase-II				Within seven years
1.	Sponge Iron	0.60	154.00	
2.	Coke	0.28	40.00	
3.	Pig Iron	0.53	150.00	
4.	Steel Billets	1.00	117.00	
5.	Steel Bars & Wire Rods	0.40	60.00	
6.	Power	120MW	300.00	
7.	Others		246.00	
Total:			1067.00	
Gr. Total			2275.00	

- (b) Within three months of signing this MoU, RML shall prepare in consultation with representatives of IPICOL/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 State Government for monitoring.
4. This Memorandum of Understanding (MoU) reaffirms the commitment of RML to establish an integrated steel plant and assistance of the Government of Orissa for providing land, iron ore mines, recommending for coal blocks and other facilities.

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

(A) Land:

- (a) RML will require approximately 1000 acres of land for the purpose of setting up the steel plant and associated facilities for Phase-I.

Name of the village/District.	Area required in acres
Kamando in Sundargarh district Jharbandha in Dhenkanal district	1000.

However, the requirement of land as assessed by RML 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 Re-settlement 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 the client company and appraised by IPICOL, free from all encumbrances to RML 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/State Government.
- (d) RML agrees to pay IDCO/Revenue authorities the cost of land and properties (if standing thereon), IDCO's administrative charges, annual ground and cess to be assessed by the competent authority at the admissible rates.



(B) Raw Materials:

Coal : The State Government 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 State Government will assist RML to get the allocation of coal linkage of suitable grade in the desired quantity to meet their requirement until they are ready for mining of their coal block.

Iron Ore: Keeping in view substantial value addition within the State, the State Government agrees to assign appropriate priority in the matter of recommending the application of the company for iron ore mines under the MMDR Act and the MC Rules for mineral concession to meet their requirement after taking into account existing reserves with the company.

(C) Water:

- (i) The State Government will identify suitable water source for drawal 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 is 3187 cu.m/hr during the construction and operation period.
 - (iii) The approximate requirement of water is 1900 cu.m./hr. during the operation of the power plant of 315 MW.
 - (iv) A suitable technical solution for drawal of water will be finalized by Government of Orissa through its nominated agency, the Orissa Industrial Infrastructure Development Corporation (IDCO) in consultation with RML.
 - (v) The head works and control mechanism for the drawal of water will be constructed and maintained by IDCO for this purpose and the capital cost for the same shall be borne by RML and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on
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behalf of RML or may be allowed to be constructed and operated by RML as mutually agreed upon.

- (vi) Water will be supplied by IDCO to meet the necessary requirement of RML 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 RML to IDCO in this regard.

(D) Power :

The estimated power requirement of the steel project at various locations will be as follows:

Kamando	40 MW to be sourced from WESCO/CPP
Jharband	212 MW to be sourced from the CPP.

Surplus power generated, shall be supplied in the first instance to GRIDCO or any other designated entity to be decided by the State Government and only on refusal by them, it could be sold to any other buyer. The tariff for such sale of power will be fixed as per OERC guidelines. GRIDCO/buying entity will enter into Power Purchase Agreement (PPA) with Captive Power Producer as per commercial arrangement existing between other CPPs and GRIDCO.

(E) Environment:


- i. The Government of Orissa agrees to assist RML in obtaining NOC through the State Pollution Control Board for the construction of the plant, the housing colony, mines, pipeline, power project etc.
- ii. Government of Orissa agrees to assist RML in obtaining all clearances from the Central Government.
- iii. RML will arrange to conduct rapid Environment Impact Assessment (EIA) and detailed EIA study and prepare

Environment Management Plan (EMP) for the project. The Govt. of Orissa agrees to assist RML in this regard during the time when EIA is being conducted and EMP is being prepared.

(F) Incentives and concessions :

RML understands that the State Government 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 RML is a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa, therefore, anticipates that RML will bring this philosophy to the steel plant project being set up at Sundargarh and Dhenkanal districts to ensure the well being of these districts in particular and the people of Orissa in general.
 - b) In terms of employment, preference will be given to the people of Orissa as well as the local persons subject to need and their possessing the necessary qualifications. RML will make every effort to improve their skill levels, if necessary, through specialized training. For this purpose, State Government will nominate a nodal Agency/Officer to coordinate with the Company.
 - c) The Government of Orissa appreciates that RML 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.
 - d) RML 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 out side the State. These stipulations are not, however, applicable to export of finished products outside the country.
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- e) 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 RML 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 two years in implementing the project as envisaged in this MoU.
- f) RML understand that the offers and special considerations of the State Government indicated in this MoU are for the steel project envisaged in para-3 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.
- g) RML shall be required to produce document towards financial closure for the project within one year of signing of MoU.
- h) 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/Coal, incentives and concessions of the State Government in particular shall be deemed to be withdrawn.
- i) The MoU shall terminate in the event the promoter 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 State Government for such purpose.
- j) It shall be obligatory on the promoter 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.
- k) The promoter 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 State Government will nominate a nodal Agency/Officer to interact with the Company for this purpose.

l) The promoter while implementing the project undertake to comply with all statutory requirements/clearances in respect of laws, regulations and procedures governing establishment and operation of Industries.


m) The Company shall comply with all applicable laws and policies of the Government of India and the State of Orissa including more specifically those relating to environment, mining, rehabilitation and socio-economic development in the periphery of the project including Notification No.375 dated 15th January, 2004 of Government of Orissa.

n) The company shall have its registered office for Orissa Project in Bhubaneswar or any other suitable place in Orissa.

o) RML 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 State Government representative in the Steel & Mines Department, IDCO and the district administration.

For witness whereof the parties hereto have set their hands to this MoU on this 3rd day of November, 2005.

For Government of Orissa


(Shri Bhaskar Chatterjee)
Principal Secretary,
Department of Steel & Mines

For M/s Rungta Mines Limited


(Shri Siddharth Rungta)
Director