

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF ORISSA AND M/S ACTION ISPAT & POWER PRIVATE LIMITED FOR ESTABLISHMENT OF A STEEL PLANT AT PANDRIPATHAR IN THE DISTRICT OF JHARSUGUDA, ORISSA.

This Memorandum of Understanding is made this 27th day of November 2004 between Government of Orissa on the one part and M/s. Action Ispat & Power (P) Ltd. on the other part.

1. M/s Action Ispat & Power (P) Ltd. (AIPPL) having its Registered Office at 15/17, East Pobjabi Bagh, New Delhi-110 026 (hereinafter referred to as AIPPL 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 0.25 MTPA steel plant and 30MW captive power plant at Pandripathar, in the district of Jharsuguda, Orissa with an estimated investment of about Rs.270.00 crore.
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) AIPPL is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs.270.00 crore.



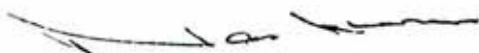
Sl. No.	Project	Capacity in MTPA	Project cost (Rs. in crores)	Time schedule for commissioning manufacturing facilities from date of MoU.
1.	Sponge iron	0.22	71.06	Within three years
2.	Pig Iron	0.10	35.00	
3.	Steel Billets	0.25	50.57	
4.	Captive Power Plant	30 MW	90.00	
5.	Others		23.37	
Total:			270.00	

- (b) Within three months of signing this MoU, AIPPL shall prepare in consultation with representatives of IPICOL/IDCO detail 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 AIPPL 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.

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

(A) Land:

- (a) AIPPL will require approximately 370 acres of land at village Pandripathar & Marakuta in the district of Jharsuguda for the purpose of setting up the steel plant and associated facilities.
- (b) For rehabilitation of displaced families, Rehabilitation and Re-settlement Package would be implemented as per the prevailing guidelines and practices.




- (c) The Government of Orissa agrees to hand over the land free from all encumbrances to AIPPL through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the plant and allied facilities.
- (d) AIPPL agrees to pay IDCO/Revenue authorities the cost of the land etc.

(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 AIPPL 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: The State Government agrees to assist AIPPL 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 the requirement of iron ore of suitable grade for initial period of steel making under mutually agreeable terms & conditions. Possibility shall also be explored to evolve long-term arrangement with OMC under mutually acceptable terms & conditions for development of new iron ore areas. Keeping in view substantial value addition within the State, the State Government also agrees to assign appropriate priority in the matter of recommending their application for iron ore mines under the MMDR Act and the MC Rules for mineral concession to meet their requirement subject to adequate progress in implementation of project as envisaged in Para-3 of this MoU and a portion of the requirement to be met through the OMC or any other existing lessees.

AIPPL understands that by the time the complete plant and machinery for the steel plant as in para 3 is set up

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and ready for production, but availability of iron ore area for the project is not tied up by then, the State Government would consider assigning priority to this project over other projects should come on stream (become ready for production of steel) later in the matter for allocation of iron ore area to meet their raw-material needs to the extent of about 25 years of requirement of the plant.

AIPPL also understands that the State Government is in the process of formulating a set of guidelines indicating the criteria to be adopted in the matter of recommending available iron ore areas for steel projects and on assignment of inter-se priority among various steel projects in the State.

Any special consideration for assistance in the matter of sourcing raw-material as above will be subject to the position that suitable iron ore areas are available for grant and that M/s AIPPL do not have an existing mining area or controlling interest or long term arrangement for supply of iron ore in any company/concern having mining area for the relevant mineral in the State. In case they do have such area/ interest, their requirement shall be reassessed by the State Govt. after taking into consideration the quantity of mineral that can be met from these sources.

(C) **Water:**

The State Government will permit withdrawal of water from IB river/ other suitable sources for operation of the aforesaid project and the housing colony as per the prevailing rates under appropriate terms and approval of the Water Allocation Committee. The approx. requirement of water is as follows:

Water: 7000 Cum/day

The State Government will also permit implementation of the water supply scheme to be prepared by AIPPL and Water Resources Department

AIPPL agrees to participate and contribute for a common water supply scheme for industries in Jharsuguda area from Hirakud to be implemented by IDCO as per requirements.

(D) Power:

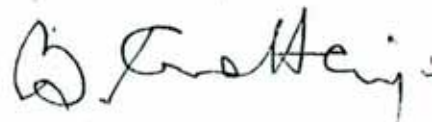
The total requirement of operational power will be 45MW (approx) which will be met partly from CPP and the balance from WESCO.

(E) Environment:

- i. The Government of Orissa agrees to assist AIPPL 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 AIPPL in obtaining all clearances from the Central Government.
- iii. AIPPL 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 AIPPL in this regard during the time when EIA is being conducted and EMP is being prepared.

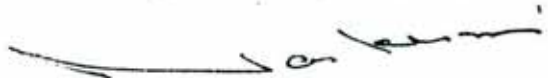
(F) Incentives and concessions:

AIPPL 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 Govt. of Orissa appreciates that AIPPL is a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa therefore anticipates that AIPPL will bring this philosophy to the steel plant project being set up in the district of Jharsuguda 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 local persons subject to need and their possessing the necessary qualifications. AIPPL will make every effort to improve their skill levels, if necessary, through specialized training.
- (b) The Government of Orissa appreciates that AIPPL 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.
- (c) AIPPL 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 product outside the country.
- (d) 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 AIPPL has made substantial progress in 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 2 years implementing the project as envisaged in this MoU.



- (e) AIPPL understands 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 product.
- (f) AIPPL shall be required to produce document towards financial closure within one year of signing of 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 the promoter to furnish all informations 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.

For witness whereof the parties hereto have set their hands to this MoU on this 27th day of November 2004.

SIGNED AND DECLARED BY:

For Government of Orissa

For Action Ispat & Power (P) Ltd.



**(B.Chatterjee)
Principal Secretary,
Department of Steel & Mines**



**(Naresh Agarwal)
Managing Director**