

MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF ORISSA AND M/S SCAW INDUSTRIES PRIVATE LIMITED (SIPL) FOR ESTABLISHMENT OF A STEEL PLANT AT GUNDICHAPARA IN THE DISTRICT OF DHENKANAL, ORISSA.

This Memorandum of Understanding is made this 1st day of October, 2003 between Government of Orissa on the one part and M/s. Scaw Industries Private Limited on the other part.

1. M/s. Scaw Industries Private Limited (SIPL) having its Registered Office at BSBK House, Nandini Road, Bhilai-490011 (hereinafter referred to as SIPL 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 steel plant of 0.8 MTPA and a captive power plant of 100 MW in the State of Orissa at Gundichapara in Dhenkanal district with an estimated investment of about Rs.824 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) SIPL is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs.310 crore in the Phase-I and Rs.514 crore in Phase-II.

Sl. No.	Project	Capacity in Million Tonne per annum	Project cost (Rs. in Crore)	Time Schedule for commissioning of manufacturing facilities from date of MOU.
Phase-I	Coal based DRI Plant	0.1	29.50 (as per TEFR submitted by the Company)	Within three years.
	Steel plant through EAF/IF	0.25		
	MBF	0.15		
	Captive Power Plant	25 MW		
	Coal Washery	2.5		
	Total		310.00	

Sl. No.	Project	Capacity in Million Tonne per annum	Project cost (Rs. in Crore)	Time Schedule for commissioning of manufacturing facilities from date of MOU
Phase-II	DRI Plant	0.45	96.00 (as per TEFR submitted by the Company)	Within six years.
	Steel Plant through EAF/IF	0.55		
	MBF	0.15		
	Captive Power Plant	75 MW		
		Total	514.00	

(b) Within three months of signing this MOU, SIPL 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 in the first phase and furnish the same to the State Government for monitoring. Similar milestones for the second phase should be made ready soon after installation of the first phase expected within three years as in Para-3(a).

4. This Memorandum of Understanding (MOU) reaffirms the commitment of SIPL 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 SIPL are listed below:

(A) Land:

- a. SIPL will require approximately 430 acres of land for the purpose of setting up the steel plant and associated facilities(approx. 60.00 acres of land has already been allotted to the company).

Name of the Village/District.	Area required in acres
Gundichapara, Dhenkanal	430 acres

- b. For rehabilitation of displaced families, Rehabilitation and Resettlement Package would be implemented as per prevailing guidelines and practices.



available for grant and that SIPL do not have an existing mining area or controlling interest 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 Government 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 Brahmani river/a suitable source for construction/operation of the aforesaid project and housing colony as per the prevailing rates under appropriate terms and approval of the Water Allocation Committee. The approximate requirement of water is as follows:

Phase-I & II 1200 Cum/Hr.

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

(D) Power:

SIPL plans to set up Captive Power Plant(s) to meet the requirement of energy intensive steel making process and to utilize the residual heat of waste gases and coal rejects. Capacity of captive power plant would be as follows:

Phase -I	25 MW
Phase - II	75 MW(Additional)

SIPL will approach GRIDCO for suitable PPA for sale of excess power, if required for wheeling of power/sale to any new or existing establishment in Orissa.

(E) Environment:

- i. The Government of Orissa agree to assist SIPL 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 agree to assist SIPL in obtaining all clearances from the Central Government.
- iii. SIPL will arrange to conduct rapid environment impact assessment (EIA) and detailed EIA study and prepare environment management plan (EMP) for the project. The Government of Orissa agrees to assist SIPL in this regard during the time when EIA is being conducted and EMP is being prepared.

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

(B) Raw Materials:

Coal : The State Government 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 PSU. Further, the State Government will assist SIPL to get the allocation of coal linkage of suitable grade in the desired quantity to meet its requirement until it is ready for mining of its coal block.

Iron Ore: The State Government agree to assist SIPL 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 and conditions. Possibility shall also be explored to evolve long term arrangement with OMC under mutually acceptable terms and conditions for development of new iron ore areas. Keeping in view substantial value addition within the State, the State Government also agree to assign appropriate priority in the matter of recommending its application for iron ore mines under the MMDR Act and the MC Rules for mineral concession to meet its 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.

SIPL understands that by the time the complete plant and machinery for the steel plant for phase-I as in para 3 is set up 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 who 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 in the Phase-I.



SIPL also understands that the State Govt. 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

(F) Incentives and concessions:

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

(G) General Clauses:

- (a) The Government of Orissa appreciate that SIPL is a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa, therefore, anticipate that SIPL will bring this philosophy to the steel plant project being set up in the district of Dhenkanal 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. SIPL will make every effort to improve their skill levels, if necessary, through specialized training.
- (b) The Government of Orissa appreciate that SIPL 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) 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 SIPL 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 first phase as envisaged in this MOU.
- (d) SIPL 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.
- (e) SIPL shall be required to produce document towards financial closure for phase-I within one year of signing of MOU. Such financial closure for the second phase should be produced at least three years before the stipulated date of commissioning of the second phase of the project.
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- (f) 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.
- (g) 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.

For witness whereof the parties hereto have set their hands to this MOU on this 1st day of October, 2003.

SIGNED AND DECLARED BY:

For Government of Orissa

For Scaw Industries (P) Ltd.



R.N. Bohidar
Principal Secretary,
Department of Steel & Mines



Rajnish Gupta
Managing Director.