

**MEMORANDUM OF UNDERSTANDING BETWEEN THE GOVERNMENT OF ORISSA AND M/S SPS SPONGE IRON LIMITED FOR ESTABLISHMENT OF A STEEL PLANT AT BADMAL GROWTH CENTRE, JHARSUGUDA IN THE DISTRICT OF JHARSUGUDA, ORISSA.**

This Memorandum of Understanding is made this 26<sup>th</sup> day of August, 2004 between Government of Orissa on the one part and M/s. SPS Sponge Iron Limited on the other part

1. M/s. SPS Sponge Iron Limited (SPSSIL) having its Registered Office at Himalaya House, 8B, Chowringhee Road, 8<sup>th</sup> Floor, Kolkata-700071 hereinafter referred to as SPSSIL 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 0.29 MTPA of steel plant in the State of Orissa at Badmal Growth Centre, Jharsuguda, in the district of Jharsuguda, Orissa with an estimated investment of about Rs.210 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) SPSSIL is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs.210 crore.

Project	Capacity in MTPA	Project cost (Rs. in crore)	Time schedule for commissioning manufacturing facilities from date of MOU.
Coal based Sponge Iron	0.18	62 (based on the feasibility report submitted by the company)	Within three years
Mini Blast Furnace	0.21		
Steel Billets through induction furnace	0.29		
<b>Total:</b>		<b>210</b>	

*Pa*



(b) Within three months of signing this MOU, SPSSIL 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 SPSSIL 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 SPSSIL are listed below:

**(A) Land:**

(a) SPSSIL will require approximately 150 acres of land for the purpose of setting up the steel plant and associated facilities.

<b>Name of the Village/District.</b>	<b>Area required in acres (approximately)</b>
Badmal Growth Centre, Jharsuguda	150

(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 SPSSIL through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the plant and allied facilities.

(d) SPSSIL 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 SPSSIL 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.

*Par.*



**Iron Ore:** The State Government agrees to assist SPSSIL 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 & condition 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.

SPSSIL understands that by the time the complete plant and machinery for the steel plant for 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. SPSSIL 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 SPSSIL 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 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 Hirakud reservoir 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: 1000 Cum/hr.**

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



**(D) Power**

The total requirement of power for the project will be 58 MW (approx.) which will be sourced from WESCO. SPSSIL would set up a Captive Power Plant later.

**(E) Environment:**

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

**(F) Incentives and concessions**

SPSSIL 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 SPSSIL is a responsible corporate house with a high involvement in employees' welfare and social development. The Government of Orissa therefore anticipates that SPSSIL 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. SPSSIL will make every effort to improve their skill levels, if necessary, through specialized training.
- b) The Government of Orissa appreciates that SPSSIL 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.



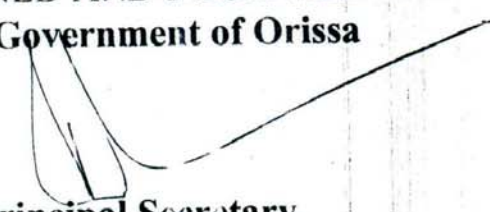


- (c) SPSSIL shall effect sale of all its products (including inter-state sales) in the State of Orissa and shall not effect any branch transfer of its products to out side the State.
- (d) The MOU shall remain valid for a period of two years from the date of signing. Further extension, if necessary, shall be made as per mutual agreement. However no such extension shall be considered unless SPSSIL 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 2 years in implementing the project as envisaged in this MOU.
- (e) SPSSIL 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) SPSSIL 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 26<sup>th</sup> day of August, 2004.

**SIGNED AND DECLARED BY:**

**For Government of Orissa**

  
**Principal Secretary,  
Department of Steel & Mines**

**For SPS Sponge Iron Limited**

  
**Chairman-cum-Managing Director**