

AGREEMENT

BETWEEN

GOVERNMENT OF ORISSA

AND

M/S BHUSHAN STEEL & STRIPS LTD.

ON

03.11.2005

THIS AGREEMENT (The "Agreement") is made on this 3rd day of November, 2005 (Third day of November two thousand five) at Bhubaneswar.

BETWEEN

THE GOVERNOR OF ORISSA represented through the Principal Secretary to Government, Department of Steel & Mines, Orissa, Bhubaneswar hereinafter called the "State Government" (which expression shall, unless excluded by or repugnant to the context or meaning thereof, include its successor Government).

AND

M/S BHUSHAN STEEL & STRIPS LIMITED, a company registered under the Companies Act, 1956 having its registered office at Nehru Place, New Delhi represented through its Managing Director, hereinafter called "BSSL" (which expression shall, unless excluded by or repugnant to the context or meaning thereof, include its associates, successors and permitted assigns).

The State Government and BSSL are hereinafter collectively referred to as the "Parties" and individually as "Party".



WHEREAS:

- (a) BSSL intends to set up an Integrated Steel Plant of 3 million tonnes per annum and a Captive Power Plant of 155 MW with estimated capital investment of Rs. 5828.15 crores at Meramundali, district Dhenkanal in the State of Orissa.
- (b) The work of the project are scheduled to be completed by the end of the calender year 2008.

NOW THEREFORE, in consideration of the fore goings and the terms and conditions hereinafter appearing the parties agree as follows:-

ARTICLE-I
DEFINITIONS & INTERPRETATIONS

1.1 Definitions:

In this Agreement, unless the context requires otherwise, the following expressions shall have the meaning expressly assigned to them hereunder:-

- (a) "**Agency**" shall mean Orissa Industrial Infrastructure Development Corporation, Industrial Promotion and Investment Corporation of Orissa Ltd. and such other Government bodies;
- (b) "**Applicable Laws and Rules**" shall mean all Indian laws in force including all notifications, circulars, orders etc. issued by Director



General of Mines Safety, Controller General, Indian Bureau of Mines, the Central and State Government and other concerned authorities and statutory bodies under such law and rules;

(c) "**Approval**" shall mean any and all permissions, clearances, licenses, authorizations, consents, approvals of or from any Government or other authority required in connection with undertaking, performing or discharging the obligations contemplated, under this Agreement.

(d) "**Captive Power Plant**" shall mean power plants of 155MW erected and commissioned by BSSL fully dedicated for the purpose of its steel plant and for auxiliary purposes;

(e) "**Day**" shall mean twenty four (24) hour period beginning and ending at 00.00 hours midnight of Indian Standard Time;

(f) "**Iron Ore Mines**" shall mean such mines containing iron ore suitable for steel making;

(g) "**Person**" shall mean any individual, corporation, company, partnership limited liability company, its venture, association or trust or any other entity or organization;


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ARTICLE-II

1.2 Manufacturing Facilities & Milestones:

BSSL is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs. 5828.15 crores for the project and installed capacity of 3 MTPA.

Project at Meramundali in the district of Dhenkanal	Capacity in Million Tonne per annum	Project cost (Rs. in Crore)	Time Schedule for commissioning of manufacturing facilities from date of agreement.	Finished product
Coal washery	2.4	19.52	By the end of the calendar year 2008.	HR Coils & Steel Billets etc.
Sponge Iron through DRI	2.38	834.04		
Sinter Plant	1.88	137.16		
Blast Furnace	1.30	390.05		
Steel making	3.30	1126.78		
HR Mill	2.50	1421.99		
Lime & Dolo plant	1 x 100 TPD	114.24		
	1 x 500 TPD			
	1 x 500 TPD			
Oxygen Plant	1 x 950 TPD	130.69		
Power Plant	155 MW	582.30		
Utility & Other services		1071.38		
	Total	5828.15		

1.3 Within three months of signing this agreement, BSSL shall prepare in consultation with representatives of Industrial Promotion and Investment Corporation of Orissa Ltd. detailed milestones in the form of annual break up of the physical and financial targets to be achieved of the project and furnish the same to the State Government for monitoring.

ARTICLE-III

2.1 Land:

(i) BSSL will require approximately 2,000 acres of land at Meramundali in the district of Dhenkanal and Angul for the purpose of setting up the steel plant and for associated facilities.

Name of the districts	Area required in acres
Dhenkanal & Angul districts	2,000 acres

However, the requirement of land as assessed by BSSL is subject to re-examination by IPICOL/IDCO with reference to detailed land utilization map for the project.

(ii) For rehabilitation of displaced families, Rehabilitation and Re-settlement Package would be implemented in accordance with policy/ guidelines issued by the Government of Orissa from time to time.

2.2 Raw Materials:

2.2.1 Coal:

The State Government agrees to help the BSSL for allotment of suitable coal blocks for captive coal mining for the project either

directly or through a Public Sector Undertaking in accordance with the applicable law and rules. Further, the State Government will assist BSSL 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.

2.2.2 Iron Ore:

(i) The State Government agrees to recommend to the Govt. of India for allotment of iron ore mines so as to meet the requirement for a period of 25 years related to the installed capacity as in para 1.2 of this agreement in accordance with the applicable law, rules and policy guidelines of the State Government in the matter subject to BSSL achieving the following milestones:-

- Award of 50% of orders for civil and structural contracts in terms of value.
- Placement of 20% of firm orders for machinery in terms of value.
- Investment of 50% of the project cost before actual grant of mining lease.

2.3 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 5,700 cu.m/hr during the construction and operation period.

- (iii) The approximate requirement of water is 1,085 cu.m./hr. during the operation of the power plant of 155 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 BSSL.
- (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 BSSL and paid to IDCO in advance. The connecting water line to the plant will be constructed and operated by the IDCO on behalf of BSSL or may be allowed to be constructed and operated by BSSL as mutually agreed upon.
- (vi) Water will be supplied by IDCO to meet the necessary requirement of BSSL 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 BSSL to IDCO in this regard.

2.4 Power:

- (i) Till such time BSSL sets up its captive power plant of 155 MW as envisaged in para 1.2, the State Government shall facilitate the requirement of 410 MVA of Power from Meramundali GRIDCO Sub-station by BSSL in course of civil construction and erection of the plant subject to such terms and conditions as are required under the Orissa Electricity Regulatory Commission Distribution (Conditions of Supply) Code, 2004, and other applicable laws.

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- (ii) 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.

ARTICLE-IV

2.5 Environment Clearances:

- (i) The State Government agrees to assist BSSL in obtaining "No Objection Certificate" through the State Pollution Control Board for the construction of the plant, the housing colony, mines, pipeline, power project etc.
- (ii) The State Government agrees to assist BSSL in obtaining all clearances from the Central Government.
- (iii) BSSL will arrange to conduct rapid Environment Impact Assessment (EIA) and detailed EIA study and prepare Environment Management Plan (EMP) for the project. The State Government agrees to assist BSSL in this regard during the time when EIA is being conducted and EMP is being prepared.

ARTICLE-V

2.6 Incentives and Concessions:

The State Government would consider such incentives and concessions as are provided in the Industrial Policy Resolution (IPR) of the State Government as in force from time to time.

ARTICLE-VI

2.7 General:

- (i) BSSL undertakes and agrees that in terms of employment under the project, preference will be given to local persons and permanent inhabitants of the State subject to their possessing requisite qualifications and experience. BSSL shall make every effort to provide specialized training to the manpower available in the State of Orissa to improve their skill and expertise and for grooming them for suitable employment for BSSL.
- (ii) It is specifically understood by BSSL that the facilities, incentives, concessions and waivers agreed to be granted and/or allowed under this agreement is for the purpose of establishment of the project as envisaged in para 1.2. In case such a purpose is not realized for any eventuality, the facilities, incentives, concessions and waivers granted and/or allowed by the State Government to BSSL shall be deemed to have been withdrawn from the date the same was extended.
- (iii) 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.
- (iv) BSSL 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.
- (v) The State Government agrees that it will have no objection to BSSL inducting suitable foreign and/or Indian Joint-Venture

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- partners, choosing appropriate financial options, suppliers, credit options and technologies in the best interest of the project.
- (v) This Agreement shall remain in force till the end of the calendar year 2008. Further extension, if necessary, may be made if mutually agreed to. However, no such extension shall be considered unless BSSL 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 during the currency of this agreement in implementing the project.
 - (vi) BSSL understands that the land allotments and extension of facilities, incentives, concessions and waivers indicated in this Agreement are for the project envisaged in this Agreement, where the final product is steel/steel products and not for manufacturing any intermediary product unless the same is for captive use in the Steel Plant.
 - (vii) BSSL shall be required to produce documents towards financial closure within one year of the signing of the Agreement
 - (viii) 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.
 - (ix) BSSL shall 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

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will nominate a nodal Agency/Officer to interact with BSSL for this purpose.

- (x) BSSL while implementing the project undertakes to comply with all statutory requirements/clearances, regulations and procedures governing establishment and operation of Industries.
- (xi) BSSL shall comply with all applicable Laws and Rules, policies of the Republic 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 and also including the Notification No.375 dated 15th January, 2004 issued by the Government of Orissa in the Steel & Mines Department, annexed to this agreement as annexure.
- (xii) BSSL shall open its registered office for this project in Bhubaneswar or any other suitable place in Orissa.
- (xiii) BSSL 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.

ARTICLE-VII

SETTLEMENT OF DISPUTES

- 2.8** (i) Any dispute and/or difference of any kind whatsoever that may arise between the Parties as a result of construction, interpretation or application of any of the terms and conditions of this Agreement or performance of it (a "Dispute") shall be settled mutually through discussion between the parties at the

first instance. In the event of the failure of the parties to settle the dispute amicably within a period of 60 days, the dispute shall be finally settled by arbitration conducted by a sole arbitrator under the provisions of the Arbitration and Conciliation Act, 1996 (the "Act") and rules made there under. In case the Parties fail to appoint a sole arbitrator for the said purpose due to difference of opinion, either party to this agreement will be free to file an arbitration petition u/s 11(6) of the Act, before the Chief Justice of the Orissa High Court for such appointment. The venue of the arbitration shall be at Bhubaneswar. The award of the sole arbitrator shall be final and binding on the parties. The jurisdiction for any legal remedies will be at Bhubaneswar.

- (ii) If the dispute relates to an amount less than Rs. 30,00,000/- (Rupees thirty lakhs only), the same shall be settled through court proceedings.
- (iii) Notwithstanding the subsistence of any arbitration proceedings, the parties shall continue to perform their respective obligations under this Agreement and either. Party shall not withhold any payment obligation admitted by it.

ARTICLE-VIII

FORCE MAJEURE

- 2.9** If failure to perform this Agreement, wholly or in part, by either party is caused due to act of war, natural calamities or any other unforeseen contingencies which are not within the control of the parties affected despite exercise of due diligence by the party affected and parties unable to prevent it, then the default will not be construed as default giving rise to any claim or damage, if any, provided the party affected by the above force majeure conditions promptly notifies the other party within 30 days of such event.



ARTICLE-IX
ASSIGNMENT

2.10 BSSL shall not assign the rights and obligations, wholly or in part, under this Agreement to any person without the approval of the State Government.

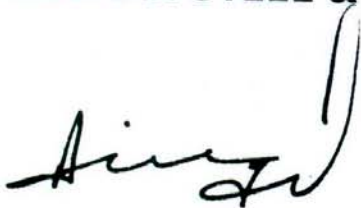
(i) Both the parties can amend any clause or article of this Agreement on mutual consent in writing.

ARTICLE-X
TERMINATION OF THE AGREEMENT

2.11 The Agreement shall terminate in the event BSSL commits any material breach of its obligations under this Agreement and fails to make good such breach within 30 days of the notice by the State Government for such purpose.

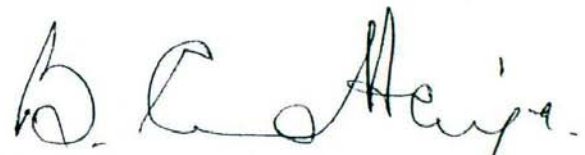
IN WITNESS WHEREOF the parties have executed this Agreement at Bhubaneswar in duplicate, on the 3rd day of November, 2005.

For BHUSHAN STEEL & STRIPS LTD.



(Shri Neeraj Singal)
Managing Director

For GOVERNOR OF ORISSA



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

DEPARTMENT OF STEEL & MINES

NOTIFICATION

The 15th January 2004

SUBJECT—Policy on grant of mining lease and transfer of land for commercial projects in Scheduled Areas, 2003.

BACK GROUND

S. R. O. No. 37/2004—Hon'ble Supreme Court of India in Civil Appeal No. 4601-2002 of 1996 in *Samatha Vrs. State of Andhra Pradesh and Others* delivered a judgement on the 11th July 1997 highlighting Para. 5.2 of the 5th Schedule of the Constitution of India, which provides for prohibition on transferring immovable property in the Scheduled Area to any person other than a tribal. According to the majority view of the Bench of three Judges in that case, all transfer of lands belonging to the State of Andhra Pradesh at any time in the past or present in "Scheduled Area" to non-tribals and all mining leases/prospecting licences, whatsoever granted by the concerned State Government in such areas to non-tribals were observed to be absolutely void and impermissible. This conclusion was based basically on two grounds. On an interpretation of Clause 3 of the Andhra Pradesh Scheduled Areas Land Transfer Regulation, 1959, the words "any transfer of immovable property by a person" in that Clause was held to include a transfer by way of grant of mining lease/prospecting licences by the State Government. Secondly, with a Gazette Notification, the State of Andhra Pradesh, had modified under paragraph 5(1) of the fifth Schedule to the Constitution, Section 11 of the Mines and Mineral (Regulation and Development) Act, 1957, by inserting sub-section (5) to that Section which prohibited grant of mining leases/prospecting licences in Scheduled Areas in the State to any person who was not a member of Scheduled Tribe except to an undertaking owned or controlled by the State or Central Government or to a Society registered or deemed to be registered under the Andhra Pradesh Co-operative Societies Act, 1964 which is composed solely of members of Scheduled Tribes.

2. Further, for other States which do not totally prohibit grant of mining lease to non-tribals in Scheduled Areas in those State, the Apex Court has observed that Committee of Secretaries and State Cabinet Sub-Committees should be constituted to look into the issues and decision taken thereafter.

ACTION TAKEN

3. A Committee of Secretaries was constituted under the chairmanship of Chief Secretary, Orissa in Steel & Mines Department Notification No. 6601, dated the 19th May 2001 to look into the issue and to explore feasibility of an amendment to bring in legislation in lines with the State of Andhra Pradesh. The Committee of Secretaries met on the 6th July 2001, examined the matter threadbare and gave its recommendations to the Cabinet Sub-Committee constituted for the purpose, vide Parliamentary Affairs Department Office Memo. No. 3740, dated the 24th April 2001.

4. The Cabinet Sub-Committee considered the recommendations of the Committee of Secretaries under the Chairmanship of Chief Ministers, Orissa and had detailed deliberations on the issues pertaining to the judgement in the case of *Samatha Vrs. State of Andhra Pradesh and Others*.

5. The Cabinet Sub-Committee also noted that the Supreme Court of India in their judgement delivered in the TC (Civil) No. 8 of 2001 (*BALCO Employees Union Vrs. Union of India and Others*) have observed the following:—

"While we have strong reservations with regard to the correctness of the majority decision in *Samatha's* case, which has not only interpreted the provisions of aforesaid Section 3(1) of the A. P. Scheduled Areas Land Transfer Regulation, 1959 but has also interpreted the provisions of the fifth Schedule of the Constitution, the said decisions is not applicable in the present case because the law applicable in Madhya Pradesh is not similar or identical to the aforesaid Regulation of Andhra Pradesh. Article 145 (3) of the Constitution provides that any substantial question of law as to the interpretation of the provisions of the Constitution can only be decided by a Bench of five Judges. In *Samatha's* case, it is a Bench of three Hon'ble Judges who by majority of 2:1 interpreted the fifth Schedule of the Constitution."

6. Irrespective of the legal position, the Sub-Committee decided that, keeping the spirit of the fifth Schedule of the Constitution, appropriate measures should be taken to safeguard the interest of the tribals and gave its recommendations accordingly.

7. Finally, the State Cabinet in its meeting on the 29th December 2003, considered the recommendations made by the Committee of Secretaries and Cabinet Sub-Committee and after due deliberations approved the following policy decisions.

POLICY DECISIONS

8. (a) The transfer of land for developmental activities, establishment of industries and operation of mining leases, etc., in scheduled areas should bring about encouraging socio-economic development of the tribal population.

(b) In order to protect the interest of the tribals, it should be ensured that every such development is accompanied by a sensitive rehabilitation and employment package. The rehabilitation policy should be foolproof and implementation of such policy as well as issues pertaining to peripheral development should be effectively monitored through Committees/Trusts constituted for the purpose. The policy should *inter alia*, include preferential employment from the families of the project-affected persons.

(c) The Andhra Pradesh Scheduled Area Land Transfer Regulation, 1959 which completely prohibits transfer of land in the scheduled areas whether Government or private, in favour of non-tribal persons may not be replicated in the State of Orissa as adequate care has been taken to protect the tribal interests in the existing laws of the State, namely "The Orissa Scheduled Areas Transfer of Immovable Property (Scheduled Tribes) Regulation, 1956 (Regulation No. 2 of 1956)" and "Orissa Zilla parishad (Amendment) Act, 1997".

(d) In order to protect the interests of tribal land losers, the mining industry and the other commercial projects coming up in Scheduled areas should agree to earmark up to 5 per cent of their equity towards preferential equity shares of the company for the displaced tribal persons based on the value of their land acquired for the project. The amount of preferential equity share thus issued should however be limited to the compensation received by the oustee, subject to the amount being not less than the minimum tradable lot.

(e) 5 per cent of the net annual profit accrued in the project should be spent for the development of health, education, communication, irrigation and agriculture of the said scheduled area within a radius of 50 Kms. The amount should be spent through Societies/Trusts constituted at the District/Divisional level headed by respective Collectors/R. D. Cs.

9. The policy on grant of mining lease and transfer of land for commercial projects in Scheduled Areas, 2003 will come into effect from the date of issue of the notification.

[No. 375]

By order of the Governor

R. N. BOHIDAR

Principal Secretary to
Government

MEMORANDUM OF UNDERSTANDING BETWEEN
THE GOVERNMENT OF ORISSA AND M/S. BHUSHAN
GROUP OF COMPANIES FOR ESTABLISHMENT OF A
STEEL PLANT IN THE STATE OF ORISSA

This Memorandum of Understanding is made this day of 15th May 2002 between the Government of Orissa on the one part and M/s. Bhushan Group on the other part.

1. M/s. Bhushan Group of Companies comprising of Bhushan Limited and Bhushan Steel & Strips Ltd. (hereinafter called Bhushan Steel), having its registered office at F-Block, 1st Floor, International Trade Tower, Nehru Place, New Delhi-110019 is one of the largest secondary steel producers in the country having plants at Sahibabad (U.P.), Chandigarh, Derrabassi (Punjab) & Kolkata (West Bengal). Bhushan Group has also promoted a new company to set up a Galvanizing plant in the Kingdom of Nepal. This unit went into production in February 2002. Another major Cold Rolling & Galvanizing & Tube Plant complex is in advanced stage of construction in Khapoli (Maharashtra). The sales turnover of the Bhushan Group for the financial Year ending March 2002 is Rs 2029 crores (provisional).

Bhushan Group has produced 0.737 million tons of Cold rolled steel, galvanized steel and other steel products in the plants located in north and in Kolkata in the financial year ending 2002. After the commissioning of Mumbai plant, the total production capacity for cold rolling and galvanizing will touch 1.2 million tons per annum including other products.

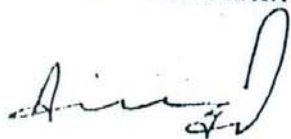
Now, Bhushan Steel is proposing to set up steel plant of 1.2 million tons per year at Phase I and expand the capacity to 2.8 million tons per year at Phase II.



2. The Government of Orissa, desirous of further 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 has been seeking to identify a suitable promoter to establish a new fully integrated steel plant in view of the rich iron ore and coal deposits in the State.
3. Bhushan Steel is desirous of setting up the following manufacturing facilities in the State of Orissa with proposed investment of Rs. 1,650 Crores in the first phase and Rs. 1,850 crores at Phase-II.

	<u>Project</u>	<u>Capacity</u>	<u>Investment (Rs. Crores)</u>	<u>Time Schedule</u>
Phase-I	Steel Products	1.2 Million tons/annum	Rs. 915 <u>Rs. 735</u> Rs.1650	2005 2007
	Power	135MW		
	Phase-II	Steel Products	2.8 Million Tons/annum	Rs.1850
Power	270 MW (Total)			
Mines	Coal Mine		Separate Cost Centre	
	Iron Ore mines		Separate Cost Centre	

4. This Memorandum of understanding (MOU) reaffirms the commitment of Bhushan Steel to establish an integrated



steel plant and commitment of the Government of Orissa for providing land, iron ore mines, coal blocks and other facilities.

5. Bhushan Steel requires help and cooperation of the Govt. of Orissa in several areas to enable them to construct, commission and operate the Steel Plant. The Government of Orissa is willing to extend all possible help and co-operation. The major areas of co-operation between the Government of Orissa and Bhushan Steel are listed below:

I. Land

- a) For the purpose of setting up the steel plant and associated facilities, Bhushan Steel will require approximately 1800 acres of land out of which 1300 acres of land would be for plant site, 300 acres of land for Housing Colony and 200 acres for dumping of ash and slag. Land measuring 1300 acres falling under the village namely Thelkolo, Dubenchapal and Khairapalli in Sambalpur district has already been identified and the land for the housing colony (300 acres) land slag dumping area (200 acres) will be identified by Bhushan Steel in consultation with IDCO and local revenue authority in due course.
- b) For rehabilitation of displaced families, Rehabilitation and Resettlement Package would be implemented as per prevailing guidelines and practices. This Rehabilitation and Resettlement Package would be mutually decided between Orissa Government and Bhushan Steel.
- c) The Government of Orissa agrees to hand over the land free from all encumbrances, to Bhushan Steel through Orissa Industrial Infrastructure Development Corporation (IDCO) for construction of the steel plant, allied facilities and township. The Government of Orissa/ IDCO will take expeditious steps to acquire the land, as per rules.



- FLA (b) A
- d) Bhushan Steel agrees to pay IDCO, the cost of the land.
 - e) State Government agrees to IDCO's adjusting in full the amount of Rs. 2.4 crores earlier deposited by Bhushan Steel for acquiring land at Duburi out of the total dues payable by Bhushan Steel to IDCO. The Bhushan Steel will relinquish their claim for any land in Duburi.

II. Statutory Clearances

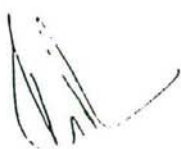

Government of Orissa will assist Bhushan Steel in the following clearances/approvals:

- a) Mining lease
- b) Clearances/right of way for laying of water pipe line, for construction of HT network to Budhipadar substation and HT line to Intake Pump House at Hirakud reservoir.
- c) Environmental clearance
- d) Clearance under Forest Conservation Act

III. Mines

Coal: The State Government agrees to recommend to the Government of India for allotment of suitable coal blocks for captive coal mining to supply coal for DRI process requirement and for generation of electric power. Further, to take care of the immediate needs of the projects, the State Govt. will assist Bhushan Steel for appropriate coal linkages until their coal mine becomes operative.

Bhushan Steel has applied for allotment of Jamkhani and Bejahan coal blocks to meet the requirements of Phase-I of the project. The State Govt. agrees to examine their

application for appropriate recommendation to the Ministry of Coal.

Iron Ore: The State Government agrees to recommend to Govt. of India for allotment of iron ore deposit expected to contain 96 million tonnes of mineable reserves suitable for sponge iron making in Joda-Barbil sector of Keonjhar district so as to meet 50 years requirements of the 1.2 mt Steel plant of Bhushan Steel in Orissa. The State Govt. also agrees to recommend to Govt. of India allotment of additional 128 mt of mineable deposit (BF grade) as far as possible contiguous in Koira area of Sundergarh district to meet the requirement of 2.8 million ton stage for a period of 50 years:

All the iron ore will be for captive use inside the state and will be part of the mining lease condition.

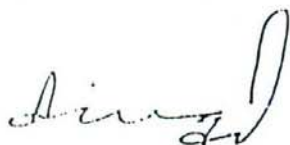
Considering the fact that opening of the virgin deposits allotted to Bhushan Steel may take time, Bhushan Steel will be allowed to source part of its requirement from OMC on sub-lease basis or otherwise under mutually acceptable terms.

IV. Water

State Government will permit drawal of water from Hirakud reservoir for operation of the aforesaid project and the housing colony as per prevailing rates under appropriate terms and approval of the Water Allocation Committee.

The approximate requirement of water to be met from Hirakud reservoir is as follows:

Phase-I	-	23 Cusecs
Phase-II	-	40 Cusecs (including Ph. I)



The State Government will also permit implementation of the water supply scheme prepared by Hirakud Research Center comprising a suitable dam on river Matvali.

V. Power

Bhushan Steel plans to set up a Captive Power Plant to meet the requirement of energy intensive steel making process and to utilise sensible heat of waste gases and coal middling generated during beneficiation of low grade coal for DRI Process. Bhushan Steel will make application to the Orissa Electricity Regulatory Commission for the purpose, which shall be recommended by the State Govt. to OERC. Capacity of captive power plant would be as follows:

Phase - I	:	135 MW
Phase - II	:	270 MW (including phase - I)

Bhushan Steel will also approach GRIDCO for suitable PPA for sale of excess power.

VI Environment

- a) The Government of Orissa agrees to assist Bhushan Steel in obtaining NOC through the State Pollution Control Board for the construction of the plant, the housing colony, mines, pipeline, power project etc.
- b) Government of Orissa agrees to assist Bhushan Steel in obtaining all clearances from the Central Government. The Government of Orissa also agrees to assist Bhushan Steel in convincing the local population regarding the desirability of steel plant in the locality.

- c) Bhushan Steel will arrange to conduct a rapid Environment Impact Assessment (EIA) and a detailed EIA and prepare an Environment Management Plan (EMP) for the project. The Government of Orissa agrees to extend any assistance sought during the time when the EIA is conducted and EMP is prepared.

VII. Incentive and Concessions

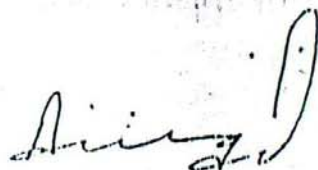
Bhushan Steel requested the State Govt to consider the following special incentives and concessions for their proposed mega steel project

- a) Waiver of CST for a period of 20 years.
- b) Waiver of Stamp Duty
- c) Reduction in the administrative cost of land acquisition charges of IDCO and District Revenue Authorities.
- d) Reduction in the rate of electricity duty on the Captive Power generation for a period of 10 years.
- e) The local sales tax paid towards purchase of material during the production stage shall be adjusted in the form of VAT against sales tax applicable on sale of finished goods.
- f) Waiver of Entry Tax on all materials required for commissioning of the plant.

The State Govt agrees to get the above request of Bhushan Steel examined at the appropriate level and take a view in the matter expeditiously.

VIII. General

- a) The Government of Orissa appreciates that the Bhushan Group of Companies is a responsible corporate house with a high involvement in employee's welfare and social development. The Government of Orissa therefore anticipates that Bhushan Steel will bring this philosophy to the steel plant project being set up in the district of Sambalpur 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 displaced persons subject to need and their possessing the necessary qualifications (acceptable level of education). Bhushan Steel will make every effort to improve their skill levels, if necessary through specialized training.
- b) The Govt. of Orissa appreciates that the Bhushan Steel 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 areas of cooperation mentioned above highlights only the major issues involved in setting up of the steel plant. Other issues as and when they arise and sharing of the responsibilities between both parties shall be decided through mutual agreement on a case-to-case basis
- d) In the event of non-implementation of the project or a part thereof; the corresponding support/commitment of the State Govt indicated in the MOU shall be deemed to be withdrawn.



e) The MOU will be invalid in case Bhushan Steel does not make substantial progress on implementation of the project in terms of construction and investment at site within two years of getting possession of a major portion of the land.

For witness whereof the parties hereto have set their hands to this MOU on this 15th day of May' 2002

SIGNED AND DECLARED BY:

For GOVERNMENT OF ORISSA



Dr. R.N. Bohidar
(Principal Secretary,
Deptt. of Steel & Mines)

For BHUSHAN GROUP



Neeraj Singal
Managing Director