MEMORANDUM OF UNDERSTANDING (MoU) FOR PROJECTS/CONSTRUCTION COMPANIES ETC.: 2013-14

A. Objective:

The objective of entering into MoUs is to estimate the market potential and decide production plan to facilitate SAIL to supply Iron & Steel materials.

B. Eligibility:

<table>
<thead>
<tr>
<th>PRODUCTS</th>
<th>MINIMUM BOOKING QNTY (MT’s)</th>
<th>WHO CAN BOOK</th>
</tr>
</thead>
</table>
| All Products (Long & Flat Incl ERW/SW Pipes) except Pig Iron & semis | 400 tonnes (combination of all products covered under the MOU.) | 1. Govt. Departments/ PSUs excl. SSICs / NSICs  
2. Project / Construction Companies |

C. General terms and conditions of MoU:

1. MoUs can be signed at any time during the year.

2. Duration of MoUs will generally be for a maximum period of one year from the date of signing of such MoUs. SAIL may also consider signing of MoUs for period more than one year.

3. Single MoUs can be signed with companies/firms having units at different locations operating under the same name and style.

4. Single MoUs can be signed with Group Sister Companies with whom MoUs have been entered in the previous years. SAIL may also consider applications for fresh cases for Group Sister Companies as well Holding Companies & Subsidiary Companies.

5. Enhancement of quantity under MoU scheme may be considered by SAIL after due review subject to lifting being lower than 120% of the MoU quantity at the time of receipt of request from the customer for enhancement. The option for enhancement is to be exercised by the customers at least one month before the completion of MoU period.

6. Annual MoU booking quantity can be reduced upto 90% level of the original booking quantity at the option of the customer. Such an option for reduction can be exercised by the customer at least three months before the completion of MoU period and at least one month before the completion of MOU period for PSUs / Govt. Deptts only. However, in case MoU quantity has been enhanced at customer’s request, the option for reduction in quantity subsequently will not be available to the customer. SAIL may also exercise the option of reducing the MoU quantity upto 90% of the original level at any point of time.

D. IFC (Interest Free Credit):

Interest Free Credit (IFC) up to 15 days may be offered on monthly lifting of 100 T and above. Higher level of credit may also be considered by SAIL based on merit.
Terms & Conditions of IFC:

a) IFC will be allowed on actual quantity lifted.

b) In respect of group sister companies signing a single MoU, the IFC slab applicable will be decided by adding up the purchases of all the units. In case of consumers with more than one unit in the same name and style also, IFC slab applicable will be decided by adding up the purchases of all the units.

1. Equivalent cash discount, at rates as applicable from time to time on credit sales, may be allowed against entitled IFC.

2. Penal interest at rates applicable from time to time would be charged by SAIL for delay in making payment by customers after expiry of entitled period of IFC as per MoU or at the expiry of mutually extended credit period, if any.

E. Turnover Discount:

The TOD entitlements against MoU bookings for 2013-14 would be as follows:

<table>
<thead>
<tr>
<th>Annual Lifting (T)</th>
<th>Applicable TOD (Rs./T)</th>
</tr>
</thead>
<tbody>
<tr>
<td>400 – 6000</td>
<td>175</td>
</tr>
<tr>
<td>&gt;6000 - 12000</td>
<td>200</td>
</tr>
<tr>
<td>&gt;12000 - 18000</td>
<td>225</td>
</tr>
<tr>
<td>&gt;18000 - 24000</td>
<td>250</td>
</tr>
<tr>
<td>&gt;24000 - 30000</td>
<td>275</td>
</tr>
<tr>
<td>&gt; 30000</td>
<td>300</td>
</tr>
</tbody>
</table>

Terms & Conditions of Turnover Discount:

a) TOD will be paid on actual quantity lifted subject to successful completion of MoU but limited to maximum 120% lifting of original / enhanced MoU quantity. However, SAIL may consider release of TOD in cases bearing merit subject to fulfillment of 90% lifting against the original / enhanced booking quantity. The rate of TOD shall correspond to the slab pertaining to the actual quantity lifted but not exceeding the slab pertaining to 120% of original booking quantity.

The payment of TOD will be made at the end of the MoU period and normally within one month after completion of MoU period. TOD shall be paid only after taking into account all the credit notes and debit notes and after realisation of all outstanding payments including sales under credit.

Higher TOD of Rs.50/- per tonne shall be payable to successful MOUs of 12-13 on successful completion of MOUs in 13-14 to those customers who sign MoUs for a quantity either equal to their offtake or the original MoU quantity in 12-13, whichever is higher, subject to lifting of original MOU quantity of 13-14 without reducing.

b) TOD will be paid on flat rate and not on incremental basis. However, quantity sold through plant disposals, tender sales, and materials returned under quality complaint will not be taken into account for calculation of TOD.

In cases where customer falls short of quantity to be eligible for TOD benefit, the tonnage lifted by the customer, but returned under quality complaint, will be considered as a part
of actual lifting for the purpose of eligibility. However, TOD will not be paid for such quantity.

c) In case the option of reducing the original booking quantity is exercised by the customer latest by three months before the completion of the MoU period or at least one month before the completion of MOU period by PSUs / Govt. Deptts only the customer would be entitled to TOD only to the extent of the reduced quantity and not upto 120% of the reduced quantity. The rate of TOD shall correspond to the slab applicable to the reduced quantity.

d) In case SAIL exercises the option of reducing the MoU quantity, TOD would be admissible upto 120% of the reduced quantity. If quantity lifted is below the minimum slab arising out of reduction in MoU quantity at SAIL’s option, the rate of the minimum slab will be applicable for determining the quantum of TOD.

e. In the case of a Company having units all over the country operating under the same name and style, for calculation of TOD, purchases of all the units will be added, provided they had entered into a single Annual MoU covering requirements of all the units. Similarly, for calculation of TOD, purchases of all units of a group company will be added provided a single Annual MoU had been signed for different units of the Group Company.

f. In the case of a large Construction Company which is engaged in different projects in different parts of the country, the TOD scheme will cover supplies to a new Project site also, where the construction Company may take up work at a later date during the MoU period.

g. Under the 2013-14 MoU, additional T.O.D of Rs.25/- per tonne would be payable on offtake of special quality during 2013-14, subject to successful completion of MoU and lifting minimum 120% of special quality offtake of 2012-13 by the customer.

h. In cases where projects are covered under Govt. Notification No. 108/95 dated 28.8.1995, TOD may be paid at invoice stage in case of direct dispatch subject to submission of documents as prescribed by SAIL.

F. Other terms and conditions of MOUs

1. Normally prices shall be kept firm for the ordered quantity for execution within a calendar month. However, firm prices for supplies in a calendar quarter can also be considered.

2. Any variation in the statutory duties and levies viz. excise, sales tax, octroi etc. as well as freight as applicable shall be payable by the customer.

3. If a Govt. Deptts/ PSUs/ Projects/ Construction Companies desire to lift materials from different locations, indicative breakup of the quantities to be lifted from each location will have to be provided at the time of signing of the MoU. However, inter-location adjustment of MoU quantities may be considered by SAIL. For successful completion of MoU, their offtake at all locations put together would be considered.
4. Quantity of supply in a month will normally be reckoned with reference to RRs/Challans raised during the month for direct despatch/stockyard deliveries respectively and applicable MoU benefits paid accordingly. In case of direct dispatch by road, date of plant invoice would be reckoned as the date of dispatch.

5. In case SAIL is not able to supply the material against accepted orders of the customer during the last month of the MoU period, the backlog may be considered by SAIL for servicing till the end of the following month. The price applicable shall be the price prevailing on the date of RR for direct despatch/ date of Challan for stockyard delivery. Such quantities against backlogs would be deemed to have been supplied against MoUs for the period of the MoU and associated benefits would be passed on accordingly.

The MoUs would be signed for the standard tested qualities only. However, arising like WTCC, Commercial, Off-Grade, UT etc. as distinct from mixed/special arising can also be supplied against the MoU depending upon availability as well as subject to mutual agreement only in case those items are not covered under the Steel and Steel Products (Quality Control) 2nd Order, 2012 issued by the Ministry of Steel, Govt. of India.

6. SAIL may consider supply against MoU from other branches of the regions at the request of the customer subject to availability.

7. In case of Construction companies, if actual lifting during the first six months falls below 40% of the booked quantity, the MoU would stand discontinued. However SAIL may consider continuation of the MoU based on merits.

8. SAIL will have the option to supply the material either through stockyard or through direct dispatch basis or in combination of both.

9. Customers would be required to make financial arrangement(s) for the material supplied by SAIL on direct dispatch basis.

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MEMORANDUM OF UNDERSTANDING (MoU)

(To be signed on plain paper)

This Memorandum of Understanding (MoU) is entered into this __. day of the month _______ and year______ between Steel Authority of India Limited (SAIL), and ________________________(Name of the customer) with a view to know the possible market requirement and decide production plan to enable SAIL to make supply of steel materials from time to time.

This MoU is valid for a period of one year with effect from ___ to ___ and shall cover the following categories and quantities of materials with indicative quarter-wise breakup:

<table>
<thead>
<tr>
<th>Plant</th>
<th>Category</th>
<th>Special Quality (if any)</th>
<th>Q r. I</th>
<th>Q r. II</th>
<th>Q r. III</th>
<th>Q r. IV</th>
<th>Total</th>
</tr>
</thead>
</table>

That it is clearly understood between SAIL and ______________________ (Name of the customer) that this MoU is not an enforceable contract and future contract(s) will be entered between the parties to the MoU at the Branch level for supply of iron and steel materials through direct despatch/stockyard delivery.

(________)  (________)  
Name and designation of designation of SAIL officer  
Name and designation of authorised signatory of customer

Name& Location of Project(s):

__________________________

Name of Company owning the project(s):

__________________________