

MEMORANDUM OF UNDERSTANDING (MoU) FOR COMBINED FLAT & LONG PRODUCTS: 2022-23

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. Combined MoU for flat and long products are being introduced to provide an opportunity to consumers/segments of both flat and long products like Earth Moving Equipment Manufacturers and their vendors, Auto Manufacturers and their Vendors, Wagon Builders, Construction Equipment Manufacturers and their Vendors, PEB and Fabricators for Projects/Industrial equipment, TLT Manufacturers and Re-rollers of TLT sections, Solar Equip. manufacturers, Grain storage manufacturers, Oil & gas transportation, Railway fabricators for Switch/joints etc. manufacturing (having valid Permission or PO from Indian Railways) to book a single combined MoU

B. Eligibility:

PRODUCTS	MINIMUM QUANTITY (T)	WHO CAN BOOK
Wire Rod Coils, TMT (including TMT Coils), Structural, HR Coils, CR Coils/Sheets, Plate Mill Plates, HSM Plates, CQ Plates, CQ Coils, HR Sheets (special qualities of the items mentioned above can also be booked under this scheme) and GP Coils , Electrical Steel, Pipes, TLT/SAILTOWER or equivalent Grade Semis, Rails [IRS T12 Prime/ IRS T12 IU / Thick Web Asymmetrical (Forged/Unforged)] upto 13 mtr length	Min. 1200 t of at least 2 products in combination. However, MoU for Rails can be signed for Min. 1200 t either as a single item or in combination with other products	All consumers excluding SSICs/NSICs, Tube makers, Cold reducers and basic cutters/slitters. Such consumers/ segments are Earth Moving Equipment Manufacturers and their vendors, Auto Manufacturers and their Vendors, Wagon Builders, Construction Equipment Manufacturers and their Vendors, PEB and Fabricators for Projects/Industrial equipment ,TLT Manufacturers and Re-rollers of TLT sections, Solar Equipment manufacturers, Grain storage manufacturers, Oil & gas transportation, Railway fabricators holding valid Permission or PO from Indian Railways

NOTE: New products/grades developed may also be offered against the MoU with mutual consent.

C. General Terms and Conditions of MoUs

1. MoUs can be signed at any time during the year.
2. Consumers entering into combined products MOU will have to indicate the product wise breakup at the time of signing the MoU. However, Inter-category adjustment may be allowed.
Valid permission or PO from Indian Railways is required at the time of entering into MoU for Rails.
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. Annual MoU booking quantity can be reduced up to 90% level of the original booking quantity at the option of the customer. The reduction of MoU quantity will be allowed only once (maximum) during the MoU period. Such an option for reduction can be exercised by the customer latest by 3 months before the MoU period is over.
6. SAIL may also exercise the option of reducing the MoU quantity upto 90% of the original level at any point of time.
7. Enhancement of quantity under the 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 enhancement of MOU quantity will be usually allowed maximum twice during the MOU period. Based on merits SAIL may allow enhancement of MOU quantity more than twice. The option for enhancement is to be exercised by the customers latest by 2 months before the MoU period is over.

D. Interest Free Credit (IFC):

The following IFC may be offered against MoU booking :

Monthly lifting (T)	No of days of IFC
100-500	10
>500	15

Terms & Conditions of IFC:

- a) IFC will be allowed on actual quantity lifted.
- b) There will be no IFC for Semis.
- c) 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.

- d) Equivalent cash discount, at rates as applicable from time to time on credit sales, may be allowed against entitled IFC.
- e) In case of failure on the part of SAIL to supply the monthly committed quantity under MoU, to correct the situation “a make-up credit” may be allowed considering the calendar quarter as one unit, while continuing the procedure of operating IFC on a monthly basis.

Example: In case of a MoU signed for supply of 4000 MT during the year, the average quarterly quantity works out to 1,000 MT and the average monthly quantity to 333 MT. Assume the following supply pattern and the applicable IFC.

Supply during	Actual supply		Envisaged supply as per MoU	
	Quantity (T)	Applicable IFC (No. of days)	Quantity (T)	Applicable IFC (No. of days)
1st Month	333	10	333	10
2nd Month	50	NIL	333	10
3rd Month	617	10	334	10
TOTAL	1000		1000	

The total quantity supplied during the calendar quarter at 1000 MT qualified for 10 days IFC for all three months for average monthly lifting of 333 MT. However, due to the actual monthly supplies being less than the monthly average during the second month, IFC cannot be extended. Thus full benefit of IFC is not passed on to customer.

In this situation, the customer may be given “Make-Up Credit” by way of equivalent cash discount for 10 days for the second month and credit for first & third month may be limited to 10 days only.

- f) 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:

Annual MoU (T)	TOD (Rs./T)
1200-6000	125
>6000-12000	150
>12000-24000	175
>24000	200

Terms & Conditions of Turnover Discount

1. TOD will be paid on actual quantity lifted subject to successful completion of MoU but limited to maximum 120% lifting of original MoU quantity.

2. TOD may also be paid, in case lifting ranges between 90% to less than 100% of original of original / reduced MOU quantity as the case may be. However in such cases rate of TOD shall be 50% of the slab corresponding to the actual quantity lifted or 50% of the rate of TOD applicable for lowest TOD slab, whichever is higher. In such cases of lifting in the range of 90% to less than 100% of original/ enhanced / reduced MOU quantity, 50% of the consistency incentive is also payable wherever applicable.
3. 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 realization of all outstanding payments including sales under credit.
4. For Key Account Customers, adjustment of 50% of accrued TOD after taking into account all the credit notes and debit notes and after realization of all outstanding payments including sales under credit may be done towards supplies in Q4 with approval of ED(Sales & ITD) / ICWF, subject to lifting of minimum 75% of MOU Quantity by end of Q3 with an undertaking from the customers that the paid TOD shall be recovered from them in case of non-fulfillment of the annual MOU commitment at the end of the MOU period.
5. 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.
6. In case the option of reducing the original booking quantity is exercised by the customer the customers would be entitled to TOD only to the extent of the reduced quantity and not upto 120% of the reduced quantity.
7. In case SAIL exercises the option of reducing the MoU quantity, TOD would be admissible upto 120% of the reduced quantity.
8. 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. Consistency Incentive

1. Under this MoUs, consistency incentive shall be offered as under:

Minimum monthly lifting (as % of annual MoU booking quantity)	Consistency rate(Rs/t)
5%	50
6.5%	75
8%	100

2. Consistency Incentive will be payable subject to successful completion of MoU anytime during the year and shall be paid along with TOD at the end of the MoU period and normally within one month after completion of MoU period. Consistency Incentive shall be paid on actual quantity lifted limited to maximum 120% lifting of original MoU quantity.
3. In case of non-fulfilment of the condition of consistent lifting in any one month during the period of MoU on account of the customer due to valid reasons, SAIL may consider condoning the same. In addition, if on account of SAIL's inability to supply despite the customer having released the orders in time, SAIL may not consider this as an inconsistency.

G. Other Terms and Condition of MoU

1. Any variation in the statutory duties and levies viz. GST etc. as well as freight as applicable shall be payable by the customer.
2. If any consumer desires to lift materials from different locations, breakup of the quantities to be lifted from each location will have to be provided at the time of signing of the MoU. However, for them inter-location adjustment of MoU quantities may be considered by SAIL. For successful completion of MoU, their offtake at all locations and all products put together would be considered.
3. Quantity of supply in a month will normally be reckoned with reference to RRs/Challans raised during the month for direct dispatch by Rail/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.
4. In case SAIL is not able to supply the material against accepted orders of the customer during last month of MoU period, the backlog as on beginning of the next month may be considered by SAIL for servicing till another month of the MoU period. The price applicable shall be the price prevailing on the date of RR (for direct dispatch by Rail)/ date of plant invoice (for direct dispatch by road)/ date of Challan for stockyard delivery. Such quantities against backlogs would be deemed to have been supplied against this MoU and associated benefits would be passed on accordingly.
5. The MoUs would be signed for the standard tested qualities only. However, other grades can also be supplied against the MoU depending upon availability as well as subject to mutual agreement.

6. SAIL may consider supply against MoU from other branches of the regions at the request of the customer subject to availability.
7. MoU for one year would deem to have automatically lapsed if the lifting is less than 15% of the MOU booking quantity during first 3 months of the MoU period. While customers will be entitled for IFC from first month itself, IFC benefit will be passed on to them only after fulfilment of the above condition. However, if due to inability on the part of SAIL to supply the required material within the said period, some customers become ineligible to continue with their respective MoU, then in respect of such customers, SAIL may consider continuation of these MoUs.
8. If actual lifting during the first six months falls below 40% of the booked quantity, the MoU would stand discontinued (This condition will not apply for SSICs and NSICs). However SAIL may consider continuation of the MoU based on merits. In such cases, the TOD payable shall be at the rate applicable for one slab below the applicable TOD slab rate for which customer would have been eligible based on the original quantity at the time of signing MoU. In case original MoU quantity at the time of signing of MoU falls under the first applicable TOD slab, the TOD will be reduced by an amount which is the difference between the second higher slab and the first slab.
9. SAIL will have the option to supply the material either through stockyard or through direct dispatch basis or in combination of both.
10. Customers would be required to make financial arrangement(s) for the material supplied by SAIL on direct dispatch basis.
11. HR Coils from SSP may be also be supplied against this MoU. Such supplies from SSP will be counted together with supplies from other plants for the purpose of determining slabs of TOD/IFC/Consistency Incentive and TOD/ IFC/ Consistency Incentive would be paid against such supplies.

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ENCLOSURE-I**MEMORANDUM OF UNDERTANDING (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

Plant	Category	Special Quality (if any)	Quantity (T)				
			Qr.I	Qr.II	Qr.III	Qr.IV	Total

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 dispatch/stockyard delivery.

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Name and designation of
SAIL officer

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Name and designation of
authorized signatory of Customer