

## MEMORANDUM OF UNDERSTANDING (MoU) FOR 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.

### B. Eligibility

PRODUCTS	MINIMUM QUANTITY (T)	WHO CAN BOOK
Wire Rod Coils with a Quality Extra of Rs.1000 per tonne or more	200	All consumers and SSICs/NSICs
Wire Rod Coils	1200	All customers
Light and/or Medium Structural and/or Heavy Structural from Plant rolled and Conversion route	1200	All customers including SSICs/NSICs.

### NOTE:

1. For Light and/or Medium Structural and/or Heavy Structural from Plant rolled and Conversion route, a customer can sign a single MoU either under MoU (S) or under MoU (G).
2. New products/ grades developed may also be offered against the MoU with mutual consent.

### C. General Terms and Conditions of MoUs

1. All MoUs shall have duration of a year starting from 01.04.2022 upto 31.03.2023.
2. Single MoUs can be signed with companies/firms having units at different locations operating under the same name and style.
3. 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 as Holding Companies & Subsidiary Companies.
4. SAIL may consider inclusion of new location for multi-locational consumers for MoU (G) during the pendency of MoU.
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 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 31.01.2023.

6. 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 31<sup>st</sup> December 2022. 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.
7. SAIL may also exercise the option of reducing the MoU quantity upto 90% of the original level at any point of time, even beyond 31.12.2022.
8. SAIL reserves the right to short-close the MoU at any time during the year with a notice period of two months at the option of SAIL.

#### **D. Interest Free Credit (IFC)**

Products	Monthly lifting (T)	No of days of IFC
Wire Rod Coils	100-500	7
	>500-1000	15
	>1000-2000	21
	>2000	30
Wire Rod Coils with a Quality Extra of Rs.1000 per tonne or more	50-500	7
	>500-1000	15
	>1000-2000	21
	>2000	30
Structurals	100-500	10
	>500-1000	15
	>1000-2000	21
	>2000	30

#### **Terms & Conditions of IFC:**

1. IFC will be allowed on actual quantity lifted.
2. 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.
3. However, for multi-locational MoUs applicable IFC shall be based on slab for quantity lifted at each location.
4. Equivalent cash discount, at rates as applicable from time to time on credit sales, may be allowed against entitled IFC.
5. 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 24,000 MT of Wire Rods, during the year, the average quarterly quantity works out to 6,000 MT and the average monthly quantity to

2000 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	2000	21	2000	21
2nd Month	1000	15	2000	21
3rd Month	3000	30	2000	21
TOTAL	6000		6000	

The total quantity supplied during the calendar quarter at 6000 MT qualified for 21 days IFC for all three months for average monthly lifting of 2000 MT. However due to the actual monthly supplies being less than the monthly average during the second month, IFC of 15 days can only 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 21 days for the second month and credit for third month may be limited to 21 days only.

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 would be as follow:

Products	Annual Lifting (T)	TOD (Rs./T)
Wire Rod Coils with a Quality Extra of Rs.1000 per tonne or more	200-600	100
	>600-1500	150
	>1500-3000	175
	>3000-5000	200
	>5000-8000	250
	>8000	300
Wire Rod Coils	1200-4800	150
	>4800-9000	175
	>9000-15000	200
	>15000-22000	225
	>22000	250
Light and/or Medium Structural and/or Heavy Structural from Plant rolled and Conversion route	1200-4000	125
	>4000-7000	175
	>7000-11000	225
	>11000-16000	275
	>16000	325

**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. 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.
- b. 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.

**ADDITIONAL TOD**

- a. An additional TOD of Rs.50/-per tonne shall be payable to successful MoU customers of 2022-23 subject to:
  - i. Being successful MoU customer for both year i.e.2021-22 & 2022-23.
  - ii. Signing of MOU quantity for 2022-23 which is equal to or more than the higher of the original MOU quantity of 2020-21 & 2021-22.
  - iii. Actual lifting in 2022-23 being equal to or more than higher of the quantity lifted during 2020-21 & 2021-22.
  - iv. No reduction sought by the customer in the original MoU quantity either for 2021-22 or 2022-23.
- c. 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.
- d. 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 up to 120% of the reduced quantity. The rate of TOD shall correspond to the slab applicable to the reduced quantity.
- e. In case SAIL exercises the option of reducing the MoU quantity, TOD would be admissible up to 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.
- f. 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.
- g. Under the MoU, additional T.O.D of Rs.25/- per tonne would be payable on offtake of special quality during 2022-23, subject to successful completion of MoU and lifting minimum 120% of special quality offtake of 2021-22 by the customer

**F. Consistency Incentive**

- a. Under the MoUs for Long Products, consistency incentive shall be offered as under

Minimum monthly lifting (as % of annual MoU booking quantity)	Consistency rate(Rs/t)
5%	50
6.5%	100
8% (Only for structural)	125 (Only for structural)

- b. Consistency incentive shall be payable subject to successful completion of MoU any time 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.
- c. Consistency Incentive shall be paid on actual quantity lifted limited to maximum 120% lifting of original/enhanced MoU quantity.
- d. In case of non-fulfilment of the condition of consistent lifting in any two months during the period of MoU on account of the customer due to valid reasons, SAIL may consider to condone 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.
- e. An additional consistency incentive of Rs.25/-per T shall be payable for all products under MOU (General)(except for structural), only subject to consistent lifting of 25% of booked/enhanced quantity in each quarter.  
For structural this additional consistency incentive shall be Rs. 50/-pmt.
- f. This additional consistency incentive shall be payable subject to quarterly lifting of 25% of the booked quantity prior to enhancement and 25% of enhanced quantity from the quarter in which enhancement is effected. However, in the last quarter of the MoU period, upon successful completion of MoU, conditions of 25% lifting can be condoned in case of SAIL's failure only.

#### **G. Other Terms and Condition of MoU**

- Any variation in the statutory duties and levies viz. GST, as well as freight as applicable shall be payable by the customer.
- If any consumer, Govt./PSUs/Projects and SSICs/NSICs 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 off take at all locations put together would be considered.
- If any customer (other than consumer Govt./PSUs/Projects and SSICs/NSICs) 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 and no inter-location adjustment of MoU quantities would be allowed. Such customers would have to fulfil the MoU quantity at each location for successful completion of MoU.
- In case, these customers exercise the option of enhancement or reduction of MoU quantity, same would be done proportionate to their location wise MoU quantities.
- Quantity of supply in a month will normally be reckoned with reference to RRs/Challans raised during the month for direct despatch 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.

6. In case SAIL is not able to supply the material against accepted orders of the customer during March 2023 the backlog as on 01-04-2023 may be considered by SAIL for servicing till 30-04-2023. 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 2022-23 and associated benefits would be passed on accordingly.
7. 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.
8. SAIL may consider supply against MoU from other branches of the regions at the request of the customer subject to availability.
9. MoU for 2022-23 would continue beyond June'22 subject to lifting of minimum 15% of MoU quantity by the customers during Apr-Jun'22 failing which their MoUs shall be deemed to have automatically lapsed (This condition will not apply for SSICs and NSICs). 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.
10. 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.
11. SAIL will have the option to supply the material either through stockyard or through direct dispatch basis or in combination of both.
12. 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) FOR SMALL CUSTOMERS FOR LONG PRODUCTS 2022-23**

1. MoU shall cover supply of Light and/or Medium Structural and/or Heavy Structural from Plant rolled and Conversion route.
2. All such MoUs shall have duration of a year starting from 01.04.2022 upto 31.03.2023.
3. MoU would be entered for quantities more than 400T and less than 1200 T.
4. For Light and/or Medium Structural and/or Heavy Structural from Plant rolled and Conversion route, a customer can sign a single MoU either under MoU (S) or under MoU (G). He can sign only one MoU (S).
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. Enhancement shall be allowed maximum twice during the MoU period. The option for enhancement is to be exercised by the customers latest by 31.01.2023. Enhancement shall be limited to 1199 t.
6. New products/grades developed may also be offered against the MoU with mutual consent.
7. TOD entitlements against MOU bookings would be as follows:

Annual Lifting (T)	TOD (Rs./T)
>400-700	75
>700-1000	100
>1000	125

**Terms and condition of TOD**

- 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. 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.
- b. 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.
- c. An additional TOD of Rs.50/-per tonne for all products shall be payable to successful MoU customers of 2022-23 subject to:
  - i. Being successful MoU customer for both year i.e.2021-22 & 2022-23.
  - ii. Signing of MOU quantity for 2022-23 which is equal to or more than the higher of the original MOU quantity of 2020-21 & 2021-22.
  - iii. Actual lifting in 2022-23 being equal to or more than higher of the quantity lifted during 2020-21 & 2021-22.
  - iv. No reduction sought by the customer in the original MoU quantity either 2021-22 or 2022-23.
- d. 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.
- e. 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.

8. Quantity of supply in a month will normally be reckoned with reference to RRs/Challans raised during the month for direct despatch 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.
9. 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.
10. MoU for 2022-23 would continue beyond June'22 subject to lifting of minimum 15% of MoU quantity by the customers during Apr-Jun'22 failing which their MoUs shall be deemed to have automatically lapsed (This condition will not apply for SSICs and NSICs). 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.
11. SAIL reserves the right to short-close the MoU at any time during the year with a notice period of two months at the option of SAIL.

