

## MEMORANDUM OF UNDERSTANDING (MoU) FOR PET 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
Electrical Steel	100	All Customers
Pipes including Pipes from Bettiah range i.e. 1/2" to 8" dia range	3000	All Customers

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

### General Terms and Conditions of MoUs

- All MoUs shall have duration of a year starting from 01.04.2022 up to 31.03.2023.
- Single MoUs can be signed with companies/firms having units at different locations operating under the same name and style.
- 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.
- 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 the MoU quantity more than twice. The option for enhancement is to be exercised by the customers latest by 31.01.2023.
- Annual MoU booking quantity can be reduced upto 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 31st December2022. 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, even beyond 31.12.2022.

7. 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

**C. IFC (Interest Free Credit):**

The following IFC may be offered against MoU booking :

Products	Monthly lifting (T)	No of days of IFC
Electrical Steel	> 8 to 30	12
	> 30 to 100	24
	> 100 to 250	35
	> 250	45

**Terms & Conditions of IFC:**

- IFC will be allowed on actual quantity lifted.
- 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.
- Equivalent cash discount, at rates as applicable from time to time on credit sales, may be allowed against entitled IFC.
- 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.
- 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.

**D. Turnover Discount**

The TOD entitlements against MoU bookings would be as follows:

Products	Annual Lifting (T)	TOD (Rs./T)
Electrical Steel	100- 500	100
	>500 – 1200	150
	>1200 - 2500	200
	>2500 – 4000	250
	> 4000	300
Pipes including Pipes from Bettiah range i.e. 1/2" to 8" dia range	3000-4000	300
	>4000-5000	400
	>5000	500

### 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 realisation of all outstanding payments including sales under credit.
- c. An additional TOD of Rs 50/- pmt 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.
- f. 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.
- g. 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.
- h. 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.

### E. Consistency Incentive

(Applicable only in respect of Electrical Sheets **and NOT for Pipes**)

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

- a. Consistency Incentive will be payable subject to successful completion of MoU anytime during the year and shall be paid alongwith 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 / enhanced MoU quantity.
- b. In case of non-fulfillment 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 condonation of the same. 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.
- c. An additional consistency incentive of Rs.25/-per T shall be payable for all products under this MoU only subject to consistent lifting of 25% of booked/enhanced quantity in each quarter.
- d. 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.

**F. 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, in case of consumers, 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
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 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 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 MoUs for the period 2022-23 and associated benefits would be passed on accordingly.
5. The MOUs would be signed for standard tested qualities only.
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 2022-23 would continue beyond Jun'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. While customers will be entitled for IFC from April'22 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 [This clause shall be applicable only for Electrical Sheets and shall NOT be applicable for Pipes].

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.

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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

( )

Name and designation of  
authorized signatory of Customer