

**MEMORANDUM OF UNDERSTANDING (MoU) FOR SPECIAL QUALITY ONLY: 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**

<b>PRODUCTS</b>	<b>MINIMUM QUANTITY (T)</b>	<b>WHO CAN BOOK</b>
All special quality FP with Quality Extra of Rs 1000/T & above (excluding GP/GC of grade lower than CI-IV quality)	400	All consumers
2.All LP with Quality Extra of Rs 2000/T and above (except PI & Semis)	400	All consumers
3.Special quality Semis: 3a.CC/Rolled Billets and/or Blooms and/or NW slabs with Quality Extras of Rs.1000/T- <Rs.2000/t-covered under Steel & Steel Products (Quality Control) orders issued from time to time.  3b.CC/Rolled Billets and/or Blooms and/or NW slabs with Quality Extras of Rs.2000/t and above-covered under Steel & Steel Products (Quality Control) orders issued from time to time.	6000 (for items listed at 3a and 3b taken together)	All consumers

**Note:**

- Customers under this category shall be allowed to lift non-special quality materials upto 10% of their MoU quantity. However, in case of Semis, SAIL will have option to supply more than 10% in non special quality like arisings etc. subject to mutual agreement.
- 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, except for Special quality semis at Sl.3 (CC/Rolled Billets and/or Blooms and/or NW slabs) where the calendar will run from 1st April 2022 to 31st March 2023.

2. Duration of Special quality MoUs (except Special quality Semis) will generally be before a maximum period of one year from the date of signing of such MoUs.
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 as Holding Companies & Subsidiary Companies. Partnership/Proprietorship firms in the LPG cylinder manufacturing segment may also be considered subject to legal clearance.
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 for Special quality Semis is to be exercised by the customers latest by 31.01.2023 and for other categories, at least one month before the completion of the MoU period.
6. Annual MoU booking quantity can be reduced up to 90% level of the original booking quantity (except for LPG HR Coils where reduction can be done up to 80% level) at the option of the customer. The reduction of MoU quantity will be allowed maximum once only (except for LPG HR Coils where maximum two times reduction are allowed) during the MoU period. Such an option for reduction can be exercised by the customer latest by 31st December 2022 for Special Quality Semis and at least two months before end of MoU period for other categories. 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 up to 90% of the original level at any point of time.

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

- a) Interest Free Credit (IFC) upto 15 days may be offered on monthly 100 T and above lifting. Higher level of credit may also be considered by SAIL based on merit.
- b) IFC for LPG HR Coils:

Annual MoU Quantity	No. of days IFC
400 - 1400 t	15
>1400-2400 t	21
>2400-3400 t	30
>3400-5400 t	45
>5400 t	60

**c) There will be no IFC for Special quality Semis**

**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.

- c. Equivalent cash discount, at rates as applicable from time to time on credit sales, may be allowed against entitled IFC.
- d. 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 (for products other than Special Quality Semis) against MoU bookings :

Products	Annual Lifting (T)	TOD (Rs./T)
Other than Special Quality Semis	400-1200	125
	>1200-6000	175
	>6000-10000	225
	>10000-26000	275
	>26000	325
Special Quality Semis	6000-20000	125
	>20000-35000	150
	>35000-50000	175
	>50000 – 80000	200
	>80000	225

#### 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 fulfilment 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 realization of all outstanding payments including sales under credit.

Higher TOD of Rs.50/-per tonne **[except for Special Quality Semis]** shall be payable to successful MOUs of 2021-22 on successful completion of MOUs in 2022-23 to those customers who sign MOUs for a quantity either equal to their off-take or the original MOU quantity in 2021-22, whichever is higher, subject to lifting of original MOU quantity of 2022-23 without reducing.

**In case of Special Quality Semis higher TOD shall be @Rs. 25/- per tonne subject to above condition.**

- 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 two months before the completion of the MoU period the customer would be titled 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. Consistency Incentive**

Minimum monthly lifting (as % of annual MoU booking quantity) <b>[Except for Semis]</b>	Consistency rate(Rs/t) <b>[Except for Semis]</b>
5%	75
6.5%	100

- a. Consistency Incentive will be payable subject to successful completion of MoU any time 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-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.
- c. 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. 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. GST etc. as well as freight as applicable shall be payable by the customer.
3. If any consumer desires 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 by Rail/stockyard deliveries respectively and applicable MoU benefits paid accordingly. In case of direct despatch 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 by Rail/date of plant invoice (for direct despatch by road)/ 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.
6. SAIL may consider supply against MoU from other branches of the regions at the request of the customer subject to availability.
7. 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 subject to fulfillment of 15% of MoU quantity in the first 3 months even if actual lifting during first six months falls below 40% of booked quantity. In such cases, SAIL can reduce the MoU quantity below 90% of the original MoU quantity during the MoU period.
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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**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