

MEMORANDUM OF UNDERSTANDING (MoU) FOR FLAT PRODUCTS: 2023-24

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 |
|---|----------------------|--|
| HR Coils - both plant rolled and converted (including Special Quality) | 1200 | <p>A. All Consumers incl. SSICs / NSICs - all thicknesses.</p> <p>B. Other customers –</p> <p>a) Plant Produced HRC- all thicknesses*</p> <p>b) Converted HR Coils -all thicknesses</p> <p>* HR Coils in below 2.5 mm thicknesses will be supplied at the option of SAIL</p> <p>NOTE:</p> <p>1. HR Coils processed through CA-SC into slit coils, CTL etc. would also be considered as supplies under MoU for HR Coils</p> <p>2. HRPO Coils would also be considered as supplies under MoU for HR Coils.</p> |
| CR Coils/Sheets (incl. Special Quality) | 1200 | <p>All customers including SSICs/ NSICs.</p> <p>NOTE: CR Coils processed through CA-SC would also be considered as supplies under MoU for CR Coils</p> |
| Plate Mill Plates (incl. Special Quality) | 1200 | All customers including SSICs/ NSICs |
| HSM Plates/CQ Plates/ CQ Coils/HR Sheets (incl. Special Quality) *Supplies of CQ Plates/Coils shall be subject to availability | 1200 | All customers incl. SSICs/ NSICs. |
| GP Coils | 1200 | <p>1. All Consumers and SSIC's/NSICs</p> <p>2. All customers and SSIC's/NSICs (where dealership/distributorship does not exist)</p> <p>NOTE: GP Coils processed through CA-SC would also be considered as supplies under MoU for GP Coils</p> |

Note:

- a. Combination of HR Coils with CR Coils/Sheet under a single MoU shall be allowed for consumers only.
- b. In case of MoUs with consumers, small requirements of other flat products may also be booked/ supplied along with the main item(s).
- c. For consumers in respect of MoUs for HR Coil and/or CR Coil/Sheet customers, small requirements of GP Coils may also be supplied along with the main items.
- d. For a product, a customer can sign a single MoU either under MoU (G) or under MoU (S).
- e. 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 01.04.2023 up to 31.03.2024.
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. Partnership / Proprietorship firms in the LPG cylinder manufacturing segment may also be considered subject to legal clearance.
4. MoUs for CR Coils/Sheets for consumers only can be multi-locational.
5. SAIL may consider inclusion of new location for multi-locational consumers for MoU (G) during the pendency of MoU.
6. 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 31.01.2024.
7. 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 31st December 2023. 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 31.12.2023.
8. SAIL reserves the right to short-close the MoU at any time during the year with a notice period of one month at the option of SAIL.
9. Wherever Tier-1 distributorship is finalized, no MoU will be signed with Trade for those locations for the concerned product.

D. Interest Free Credit (IFC)

| Products | Monthly lifting (T) | No of days of IFC |
|--|---------------------|-------------------|
| HR Coils (incl. Special Quality) | 100-1000 | 10 |
| | >1000-3000 | 15 |
| | >3000-6000 | 20 |
| | >6000-9000 | 25 |
| | >9000-12000 | 30 |
| | >12000 | 35 |
| CR Sheets/Coils (incl. Special Quality) | 100-500 | 10 |
| | >500-1000 | 15 |
| | >1000-2000 | 20 |
| | >2000-4000 | 25 |
| | >4000 | 30 |
| Plate Mill Plates (incl. Special Quality) | 100-500 | 10 |
| | >500-1000 | 15 |
| | >1000 | 21 |
| HSM Plates/CQ Plates/ CQ Coils/HR Sheets (incl. Special Quality) | 100-500 | 10 |
| | >500-1000 | 15 |
| | >1000 | 21 |
| GP Coils | 100-500 | 10 |
| | >500 | 15 |

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.
However, for multi-locational MoUs for CR Coils/Sheets, applicable IFC shall be based on slab for quantity lifted at each location.
- c) For consumers, in respect of MoUs in combination of HR Coils with CR Coils/Sheets, IFC will be governed by the slab applicable for the item for which maximum quantity has been lifted.
Similarly, in case of MoUs with consumers, where small requirements of other flat products are booked / supplied along with the main item(s), IFC will be governed by the slab applicable for the item for which maximum quantity has been lifted.
- 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 60,000 MT of HR Coils, during the year, the average quarterly quantity works out to 15,000 MT and the average monthly quantity to 5,000 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 | 5000 | 20 | 5000 | 20 |

| | | | | |
|-----------|-------|----|-------|----|
| 2nd Month | 2500 | 15 | 5000 | 20 |
| 3rd Month | 7500 | 25 | 5000 | 20 |
| TOTAL | 15000 | | 15000 | |

The total quantity supplied during the calendar quarter at 15000 MT qualified for 20 days IFC for all three months for average monthly lifting of 5000 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 20 days for the second month and credit for third month may be limited to 20 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 would be as follow:

| Products | Annual Lifting (T) | TOD (Rs./T) |
|--|---------------------------|--------------------|
| HR Coils (incl. Special Quality) | 1200-12000 | 125 |
| | >12000-24000 | 150 |
| | >24000-36000 | 175 |
| | >36000-48000 | 200 |
| | >48000-72000 | 225 |
| | >72000-96000 | 250 |
| | >96000-120000 | 275 |
| | >120000-144000 | 300 |
| | >144000-168000 | 325 |
| | >168000-192000 | 350 |
| | >192000-240000 | 375 |
| | >240000 | 390 |
| CR Coils/Sheets (incl. Special Quality) | 1200-6000 | 100 |
| | >6000-12000 | 150 |
| | >12000-24000 | 200 |
| | >24000-36000 | 250 |
| | >36000-48000 | 300 |
| | >48000 | 350 |
| PM Plates (incl. Special Quality) | 1200-8000 | 175 |
| | >8000-14000 | 225 |
| | >14000-22000 | 275 |
| | >22000-30000 | 325 |
| | >30000-38000 | 350 |
| | >38000 | 375 |
| HSM Plates/CQ Plates/ CQ Coils/HR Sheets (incl. Special Quality) | 1200-6000 | 125 |
| | > 6000-11000 | 175 |
| | > 11000 | 225 |
| GP Coils | 1200-4000 | 125 |
| | >4000-7000 | 175 |
| | > 7000 | 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. 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. TOD may also be paid, in case lifting ranges between 90% to less than 100% of original of original / enhanced / 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.
- c. 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.
- d. For Key Account Customers of FP, 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 by SAIL, 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-fulfilment of the annual MOU commitment at the end of the MOU period
- e. **Additional TOD**
 - A. For HR Coil
No additional TOD shall be paid.
 - B. For all other Products (**other than HR Coil**)
An additional TOD of Rs 50/- pmt shall be payable to MOU customers of 2023-24 subject to:
 - i. Being successful MOU customer for both year i.e. 2022-23 & 2023-24.
 - ii. Signing of MOU quantity for 2023-24 which is equal to or more than the higher of the original MoU quantity of 2021-22 and 2022-23.
 - iii. Actual lifting in 2023-24 being equal to or more than higher of the quantity lifted during 2021-22 and 2022-23.
 - iv. No reduction sought by the customer in the original MoU quantity either for 2022-23 or 2023-24.
- f. 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.
- g. 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. The rate of TOD shall correspond to the slab applicable to the reduced quantity.

- h. 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.
- i. 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.
For multi locational MoU consumers for CR Coils/Sheets also, TOD slab would be on total quantity lifted from all the locations.
- j. In case of MoUs with consumers, where small requirements of additional items of other flat products are booked / supplied along with the main item(s), TOD shall be payable as under:
- i) In case the additional item is covered under the MoU scheme, TOD at the minimum quantity slab of the additional item(s) concerned shall be payable irrespective of the quantity lifted.
 - ii) In case the additional item is not covered under the MoU scheme, TOD at the minimum quantity slab applicable for the main item shall be payable.

F. Consistency Incentive

1. 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 / enhanced MoU quantity.
2. The rates and the terms and conditions for payment of Consistency Incentive are as follows:

| Product | Minimum monthly lifting (as % of annual MoU booking quantity) | Consistency rate(Rs/t) |
|---|---|------------------------|
| HR Coils | 5% | 100 |
| | 6.5% | 125 |
| | 8.0% | 150 |
| For GP Coils | 5% | 100 |
| | 6.5% | 125 |
| Other FP under MoU (excepting HRC and GP) | 5% | 100 |
| | 6.5% | 125 |
| | 8% | 150 |

For HR Coils: In case of minimum monthly lifting of 5%, 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 condoning of the same.

In case of minimum monthly lifting of 6.5% and 8%, only one time failure by customers will be allowed except SAIL failures.

For all other Flat Products : 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 condonation of the same.

For all Flat products under MoU, 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.

Note:

An additional consistency incentive of Rs. 25/- per tonne shall be payable for all products **(Except for HR Coils)** under MOU (General) only subject to consistent lifting of 25% of booked/enhanced quantity in each quarter.

This additional consistency incentive **(Except for HR Coils)** 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.

G. Other Terms and Condition of MoU

1. Any variation in the statutory duties and levies viz. GST as well as freight as applicable shall be payable by the customer.
2. If any consumer, Govt./PSUs/ and SSICs/ NSICs desire 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 put together would be considered.
3. If any customer (other than consumer, Govt./PSUs 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.
4. 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.
5. In case SAIL is not able to supply the material against accepted orders of the customer during March 2024 the backlog as on 01-04-2024 may be considered by SAIL for servicing till 30-04-2024. 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 2023-24 and associated benefits would be passed on accordingly.
6. 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.
7. SAIL may consider supply against MoU from other branches of the regions at the request of the customer subject to availability.
8. MoU for 2023-24 would continue beyond June'23 subject to lifting of minimum 15% of MoU quantity by the customers during Apr-Jun'23 failing which their MoUs shall be deemed to have automatically lapsed. While customers will be entitled for IFC from April'23 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.
9. 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. 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.

10. SAIL will have the option to supply the material either through stockyard or through direct dispatch basis or in combination of both.
11. Customers would be required to make financial arrangement(s) for the material supplied by SAIL on direct dispatch basis.
12. HR Coils from SSP may be supplied against MoUs of HR Coils. Plate Gauge HR Coils from SSP may be supplied against MoUs of HSM Plates and Sheet Gauge HR Coils from SSP may be supplied against MoUs of HR Sheets. Such supplies from SSP will be counted together with supplies from BSL and RSP 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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MEMORANDUM OF UNDERSTANDING (MoU) FOR SMALL CUSTOMERS FOR FLAT PRODUCTS 2023-24

1. MoU shall cover HR Coils (2.5mm and above)/CR Coils/Sheets, HSM/PM Plates, HR Sheets and CQ Coils/ Plates individually or in combination of these products. Small requirement of major customers may also be covered under this MoU. However, in case of consumers including SSICs/ NSICs, HR Coils in all thicknesses may be considered under the MoU. MoU(S) can be entered into either for a single item or a combination of items.
2. For a product, a customer can sign a single MoU either under MoU (S) or under MoU (G). He can sign only one MoU(S).
3. All such MoUs shall have duration of a year starting from 01.04.2023 up to 31.03.2024.
4. MoU would be entered for quantities more than 400 T and less than 1200 T.
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 31.01.2024. Enhancement shall be limited to 1199 t.
6. New products/grades developed may also be offered against the MoU with mutual consent
7. IFC: Interest Free Credit of 10 days / equivalent cash discount for lifting of more than 50 T per month would be extended under the scheme.
8. Turnover Discounts (TOD) shall be paid as under:

| Annual Lifting (T) | TOD (Rs./T) |
|--------------------|-------------|
| >400-700 | 50 |
| >700-1000 | 75 |
| >1000 | 100 |

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.
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.
An additional TOD of Rs.50/- per tonne for all products (**other than HR Coils**) shall be payable to successful MoU customers of 2023-24 subject to:-
 - i. Being successful MoU customer for both year i.e. 2022-23 & 2023-24
 - ii. Signing of MOU quantity for 2023-24 which is equal to or more than the higher of the original MoU quantity of 2021-22 and 2022-23.
 - iii. Actual lifting in 2023-24 being equal to or more than higher of the quantity lifted during 2021-22 and 2022-23.
 - iv. No reduction sought by the customer in the original MoU quantity either 2022-23 or 2023-24.
- 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.

9. Consistency incentive:

- a. Consistency incentive shall be offered at the rate of Rs.50/- per tonne subject to monthly lifting of minimum 5% of MoU booking quantity or at the rate of Rs.75/- per tonne subject to monthly lifting of minimum 6.5% of MoU booking quantity.
 - b. 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 / enhanced MoU quantity.
 - c. 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 condonation of 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.
10. 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
 11. 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.
 12. MoU for 2023-24 would continue beyond June'23 subject to lifting of minimum 15% of MoU quantity by the customers during Apr-Jun'23 failing which their MoUs shall be deemed to have automatically lapsed. While customers will be entitled for IFC from April '23 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.
 13. HR Coils from SSP may be supplied against MoUs of HR Coils. Plate Gauge HR Coils from SSP may be supplied against MoUs of HSM Plates and Sheet Gauge HR Coils from SSP may be supplied against MoUs of HR Sheets. Such supplies from SSP will be counted together with supplies from BSL and RSP for the purpose of determining slabs of TOD/IFC/Consistency Incentive and TOD/IFC/ Consistency Incentive would be paid against such supplies.
 14. SAIL reserves the right to short-close the MoU at any time during the year with a notice period of one month at the option of SAIL.

