

MEMORANDUM OF UNDERSTANDING (MoU) FOR PROJECT/CONSTRUCTION COMPANIES ETC. 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
All Products (Long, Flat, SS & Alloy Steel Products including ERW/SW pipes, crash barriers, sheet piles and other products available through conversion and service centres) except Pig Iron & semis	400 (in respect of locations within the Region) 1200 (in respect of locations spread across the country) [inter category adjustment (LP/FP) may be allowed at the time of supply]	1. Govt. Departments/PSUs excl. SSICs/NSICs 2. Project/Construction Companies 3. Project Finance Companies*

* One Project Finance company (PFC) can enter into a single Project MoU with different project consignees. PFC is required to provide the name(s) of the project consignee(s) at the time of signing of MoU.

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. Duration of MoUs will generally be for a maximum period of one year from the date of signing of such MoUs. SAIL may also consider signing of MoUs for a period more than one year.
In the event of successful completion of MoU before the MoU period, new MoU can also be signed immediately after the completion of MoU.
However, in case of unsuccessful MoUs getting short closed, new MoU can be signed subject to a gap of three months between the early closure/ termination and start of a fresh MoU.
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 and JVs (As per guidelines).
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 the MoU more than twice.

The last option for enhancement is to be exercised by the customers at least one month before the completion of MoU period.

Project Finance Company is not allowed to enhance the MoU quantity.

6. 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 at least two months before the completion of MoU period and at least one month before the completion of MoU period for PSUs / Govt. Deptts only.

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.

Project Finance Company is not allowed to reduce the MoU quantity.

7. SAIL may consider inclusion of new location for multi-locational MoUs under this category during the pendency of MoU.
8. If Project/Construction companies lift material under MoU (Project) for exports, such quantities will be reckoned under MoU. However no MoU benefits shall be applicable for such quantities.

D. Interest Free Credit (IFC)

<u>Annual MoU Quantity(t)</u>	<u>No. of Days IFC</u>
Upto 6000	7
> 6000 - 12000	15
> 12000 - 30000	30
> 30000	To be decided by SAIL

Terms & Conditions of IFC:

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

Annual Lifting (T)	Applicable TOD (Rs./T)
400-1200	175
>1200-12000	200
>12000-18000	225
>18000-24000	250
>24000-30000	275
>30000-42000	300
>42000	To be decided by ED's committee

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 fulfillment 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.
- b) The payment of TOD will be made at the end of the MoU period or upon early completion of MoU, whichever is earlier and normally within one month of completion of MoU period/ the MoU. 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.
- 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 in to 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 customer 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.
- e) 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.
- 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 in to 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) In the case of a large Construction Company which is engaged in different projects in different parts of the country, the TOD scheme will cover supplies to a new Project site also, where the construction Company may take up work at a later date during the MoU period.

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 a Govt. Deptts/ PSUs/Projects/Construction Companies desire 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.
3. 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.
4. 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/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.
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. SAIL will have the option to supply the material either through stockyard or through direct dispatch basis or in combination of both.
8. 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

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Name and designation of
authorized signatory of Customer

Name & Location of Project(s):

Name of Company owing the
project(s)