

NMDC STEEL LIMITED (NSL)

MOU GUIDELINES

GUIDELINES FOR SIGNING MOUs

1. Objectives:

- ❖ To enhance customer base.
- ❖ To include customers of competitors in NSL database
- ❖ To have consistency orders for production.
- ❖ To retain the customers and encourage the growth of volume in competitive environment
- ❖ To maximize sales and penetrate into the market
- ❖ To allot Key Account Manager (KAMS) to MOU customers so as to benefit in terms of servicing, knowledge sharing and partnering the growth opportunity.
- ❖ To have a mutual agreement for definite period for consistency in supplies

Segments:

All Customers

[OEM / Industrial Manufacturer (IM), Project/Construction and Traders]

(Excluding Sales Through Tenders and Auctions)

Product Type	Product Family	
	No.	Product
Flat products (Prime, Non-Prime, Non-Moving Prime and Non confirming to orders (NCO))	A	HR COILS
	B	HR PLATES
	C	HR SHEETS

a) On behalf of NSL:

Commercial Officer at NSL shall be authorized to sign the MOU with the approval of the respective Head of Marketing at NSL subject to adherence of procedure /policy mentioned below after approval of booking scheme by CMD each year.

b) On behalf of Customer:

The Key Decision Maker(s) – Director / Head of Commercial.

2. CONDITIONS FOR SIGNING MOU:

- i. This Memorandum of Understanding (hereinafter referred to as 'MOU') shall be valid for the period of 12 months commencing from 1st April and ending on 31st of March, except project/construction and OEM/IEM segment.
- ii. In case of IEM/OEM who enter MOU during any month of the year, MOU may be entered for the remaining month of the year and they will get the Volume Incentive applicable for respective slab for the proportionate quantity and they should lift 100 % of proportionate quantity pro rata of annual MOU Quantity, to get consistency incentive as per MOU guidelines along with Volume Incentive (T.O.D) for different slabs under MOU.
- iii. The MOU shall be signed preferably by 10th April of the corresponding year.
- iv. For the first year, the quantity shall be decided based on the requirement given by the customers, distributed uniformly/proportionately. For the subsequent years, MOU shall be for a quantity either equal to or greater than the MOU quantity signed for previous year or the actual lifting in previous year, whichever is higher.
- v. Price: Prices shall be market driven and decided on a monthly basis along with interim revision, if any.
Unless otherwise specified or agreed between buyer and seller, price is ex-works/ex-stockyard only, freight as applicable to be borne by the buyer.
Final applicable Price is as per invoice value for road dispatches and on mill scale value for rake dispatches.
- vi. Statutory Duties Taxes and Levies: Statutory Duties, Taxes and Levies viz. Goods and Services Tax (GST) etc. shall be to buyer's account at actuals as per the applicable rates under the Law - at the date and time of sale.
- vii. Terms of Payment: 100% payment either in advance or through confirmed Irrevocable Letter of Credit for 100% value of the order, including all statutory Duties, Taxes, Cess etc. including Freight, unless approved otherwise.

The buyer shall establish a divisible irrevocable Letter of Credit (LC) (both Sight and Usance) on any Nationalized Bank or a scheduled Bank acceptable to the seller, in favor of the Seller payable at Jagdalpur Branch of the Bank, covering both cost of the product as well as statutory Duties, Taxes, Levies and Freight (as applicable) etc. The Letter of Credit shall be negotiable for 100% price of the products, all statutory Duties, Taxes, Levies and Freight, as applicable when presented to the bank by the Seller with the following documents:

- a) Invoice/Debit Note/Credit Note
- b) Original RR/LR
- c) Seller's certificate of weight

Note: All bank charges, interest for usance period, if any, shall be to the buyer's account

- viii. Delivery Schedule and Monthly orders: The customers shall confirm grade-wise, size-wise orders as per the following table (for Made-To-Order):

S No.	Product	Grade	Width	Thickness	Length (if applicable)
1	HR COIL/SHEET/PLATE				

The Order to be confirmed not later than 3rd day of the respective month by the Seller. Buyer must ensure to send their requirements not later 25th of the previous month.

The monthly requirement shall be subject to NSL's review of Minimum Order Quantity (MOQ), Size, Grade, Rolling plan, Delivery schedule etc., before final acceptance.

- ix. The weight of the product delivered by the Seller to the Buyer shall be determined on the basis of the weight as recorded by the Seller Weight meter and such weight shall be final for all purposes.

3. MOU Incentives:

On successful completion of the terms of the MOU, customers shall be eligible for MOU incentives. The details of the terms and conditions for the eligibility criterion for these Incentives and its payment schedule are given in the **ENCLOSURE-A**.

The incentives shall be payable to the customers within 60 days of the fulfilment of eligibility criteria and the terms and conditions of the MOU.

Qualification Criterion:

- i. Payment of all incentives applicable for MOU shall be qualified subject to lifting 100% quantity as per the final (after amendment, if any) signed MOU.
- ii. Payment of all incentives applicable for MOU shall be subject to maximum 120% quantity of the initial / original signed MOU (Original MOU quantity is the initial MOU signed without any enhanced / amendment quantity.)

4. GENERAL TERMS AND CONDITIONS:

- a) All MOU Incentives applicable only subject to 100% achievement of MOU quantity in compliance to the qualification criterion, statutory obligations and all terms and conditions of this MOU.
- b) MOU Incentives shall be applicable for all Prime / NCO sales and shall exclude quantities sold under auctions and material returned under complaints / disputes.
- c) Seller reserves the right of supplying material from its work locations and/or stockyards and/or Job work.
- d) Dispatch by Rail, Road, Sea or Multi-Modal transportation shall be at the option of the

- Seller. However, Freight, as applicable, to be borne by the buyer.
- e) There shall be single MOU for each customer / each group of customers for single / multiple products.
 - f) Each customer / group of customers shall have unique distribution channel i.e. either IM/OEM or Traders or Project/Construction Segment;
 - g) In case of Group Company(s) MOU, one company to be defined as the Primary Company. All other group companies apart from Primary shall follow the MOU guideline as applicable to the primary company.
 - h) IM/OEM customers desirous of buying multiple products, Volume incentive slabs applicable for the maximum volume product shall be extended for the entire product basket. However, the customer must commit and achieve 100% product-wise Annual MOU quantities.
 - i) For IM/OEM, in case MOU has two or more products with equal Annual MOU quantity, then the mother product will be the one which has the higher Volume Incentive.
 - j) Further, in case, the applicable Volume Incentive for the two or more products are also the same, then the mother product will be chosen on the basis of actual lifting of the previous year.
 - k) MOU incentive shall be calculated for Bill-To i.e. Sold-To party-code only – applicable for Single as well as multiple / Group customer code.
 - l) Buyer can enter into a single MOU for combined quantity for its multi-locational units and/or sister concerns having common ownership with prior approval of the Seller. In such case, quantities lifted by all the units / approved sister concerns would be considered for the MOU qualification.

m) Third Party Financing (If any):

Quantities supplied under 3rd party financing shall be considered for MOU incentives subject to pre-approval of NSL Commercial, HO. Heads along with compliance to the following:

- Financing company shall not have MOU with seller;
 - In case the Financing company is also an MOU customer of seller, this quantity shall not be credited to their MOU.
 - “Bill To” shall be to the respective Financing company and “Ship-To” shall be to respective customer.
 - MOU compliance in quantitative, qualitative and commercial aspects shall be administered on quarterly basis by respective Commercial Officers under the advice of Head of Marketing, HO in consultation with Finance (ICWF). Final Credit note for the MOU incentive shall be issued for the amount net of all outstanding payment / statutory liabilities in full and total.
- i) MOU quantity can be amended (only increase and no decrease) subject to mutual formal agreement on or before 30th September, abiding all criterions / terms and conditions of this MOU.
 - ii) Any unethical practice(s) found to be exercised by the Buyer, shall lead to immediate termination of MOU along with withdrawal of all associated unpaid MOU incentives without any prior notice. For MOU incentives already paid / credited under this MOU, buyer shall be liable to pay back the same to NSL in full and total immediately.

5. FORCE MAJEURE:

Neither Party shall be liable for any default or delay in the performance of its obligations under this MOU when such default or delay is due to any events beyond its reasonable control, including act of God, strikes Labour dispute, epidemic, cyclone, flood, earthquake, drought, fire, explosion, atmospheric disaster, war, riot, revolution, act or decision of any Governmental Authority, change of Law which adversely affect the performance of the parties (Force Majeure Events). The Party affected by a Force Majeure Event shall promptly and in any case within five days of occurrence or knowledge thereof inform the other Party of the nature, probable duration and impact thereof and both parties shall take all reasonable measures to limit the consequences of the underlying Force Majeure Event to a minimum.

6. AMENDMENT:

No modification or amendment to this MOU and no waiver of any of the terms or conditions hereof shall be valid or binding unless made in writing and duly executed, approved and agreed jointly by the Buyer and the Seller.

7. GOVERNING LAW AND JURISDICTION:

This MOU will be governed by and construed in accordance with the laws of India and shall be subject to the exclusive jurisdiction of the Courts at Jagdalpur only.

8. CONFIDENTIALITY:

It is expressly agreed by both buyer and Seller that they shall not disclose the terms and conditions & contents of this agreement to any person, except in so far as disclosure is necessary, for the effective performance by either party of their respective obligations under this MOU or when such disclosure is required by a court or a statutory authority acting under the Indian laws.

9. TITLE AND RISK OF LOSS, DAMAGE:

Title with respect to Product in each rake/truck or trailer shall pass from Seller to Buyer when Seller has negotiated the concerned documents and has received sales proceeds from the negotiating bank including payment through RTGS with effect, retrospective to the loading of such rake/truck or trailer. Risk with respect to Product in each rake/truck or trailer shall pass from the Seller to the Buyer when the Product has been loaded in to the rake/truck or trailer by the Seller.

10. INTEREST CHARGES FOR DELAY IN PAYMENT OF DUES:

In case of any outstanding amount under any head including arrears due to change in law/Govt./Local bodies etc. 15 days' time shall be given for clearing arrears from the date of debit note. In case, customer fails to clear the outstanding amount within 15

days of raising of the debit note, interest @12% per annum or 1% above the bank borrowing rate applicable to NMDC Steel Limited, whichever is higher shall be charged from the date of debit note on the outstanding arrears. Any default in payment of outstanding amount including interest continuing beyond 3 months from the date of debit note, NMDC Steel Limited may even consider to stop supplies.

11. GUIDELINES FOR SIGNING SINGLE MOUS WITH GROUP SISTER COMPANIES, HOLDING/SUBSIDIARY COMPANIES AND PARTNERSHIP FIRMS

Guidelines issued for Demand Registration under Annual MOU allows signing of a single MOU covering Group Sister Companies together. Single MoU can also be signed with Holding Companies and Subsidiary Companies covered under the Companies Act 1956. Determination of Holding Companies and its subsidiary Companies shall be guided by the meaning contained in Section (4) of the Companies Act 1956.

In order to have uniformity in signing single MOU covering Group Sister Companies together, the guideline indicating the concept and the procedure to be followed for signing such MOUs are placed below. The same have to be followed strictly and uniformly.

For the purpose of signing a single MOU by Group Sister Companies, each Company of the Group will have to submit to NSL the following documents:

- i) A photocopy of the Certificate of Incorporation of the Unit under the Companies Act. The above document must be certified by a Notary to be true copy of the Original.
- ii) Each Company of the Group must have at least two common Directors in the Board of Directors of each Company of the Group. In support of this, each Company of the Group will have to submit to NSL a list of Directors signed by the Chairman of each company TOGETHER WITH a copy of the latest Annual Report filed by each Unit to the Registrar of Companies under the Companies Act. The copy of the Annual Report and a copy of the acknowledgement receipt issued by the Registrar of Companies evidencing submission of Annual Report must be duly certified to be true copy of the Original by a Notary.
- iii) Each company of the Group must have its financial tie-up with each company of the Group. The financial tie-up must indicate at least 10% equity-holding by one company in the other and the loans/advances, if any, made between the companies inters of the same Group.
- iv) Documentary evidences must be submitted in support of the declarations made in this regard. NOTE: To encourage booking of Special Quality under MoU from consumers of Special Quality materials under the group sister companies 'concept, it has been decided the above clause (iii) need not be insisted upon.

Special Quality is quality that are not regular produced in Plant and are customized as per buyer's requirements.

- v) An Agreement duly executed on stamp paper of requisite value or Rs.10/-, whichever is higher, by all the companies of the same Group declaring that they have joined together as sister companies for the purpose of signing a MOU with NSL, in order to have regular contracts with NSL from time to time for purchase of iron/steel materials on mutually agreed terms and conditions between NSL and each of the Group Companies.
- vi) An Affidavit from the Chairman of each company forming the Group to the effect that they belong to the same Group of Companies and shall continue to be so during the validity of MOU with NSL.
- vii) Further, if any Group Sister Company/Subsidiary Company is referred to NCLT /Sick Company, requisite Corporate Guarantee has to be obtained from the Holding Company.
In case single MoU is opted by the multi locational partnership firms in the manufacturing segment (Group sister firms), following conditions are to be fulfilled:
 - a) At least two partners must be common in all the participating firms.
 - b) Power of attorney from all the partners must be available authorizing a common partner to sign the MoU on behalf of all the firms.
 - c) Copy of Partnership deed

After each company of the same Group furnishes the above documents, they should be carefully scrutinised. Thereafter, one single MOU may be signed by and between NSL and each of the Group-Companies through their duly authorised representative under a General Power of Attorney representing each Unit.

A sample format of MoU has been placed at **ANNEXERE 1A**

ENCLOSURE- A
MOU INCENTIVE GUIDELINE

1) **VOLUME INCENTIVE:**

Following Volume Incentives shall be applicable for respective Product Families

Product Families	Annual MOU Quantity (in MT)	Annual Volume Incentive/ Turnover Discount (TOD) *(for all customers) (₹/ MT)
Hot Rolled Coils / HR Sheets/ HR Plates	≥ 3000 < 12000	200
	≥12000 < 30000	250
	>=30000-60000	300
	>=60000-90000	350
	>=90000-120000	400
	>=120000-150000	450
	>=150000-210000	550
	>=210000-270000 (Max Slab)	600

- a. MOUs shall be signed for the respective Products mentioned above. Volume Incentive shall be applicable for the respective volume slabs for each of the product families, subject to qualifying terms and conditions of this MOU.
- b. Customers buying multiple products, Volume Incentive slab applicable for the Maximum volume product shall be extended for entire buying basket. However, the customer must commit the product wise quantities at the time of signing of MOU.
- c. MOU quantity shall be in multiple of 500 mt within the MOU slabs stated above.
- d. Payment of annual volume incentive (TOD) mentioned above, under MoU for IM/OEM, traders as applicable shall be paid after expiry of the Fiscal Year as annual incentive against their lifting.

QUALIFICATION FOR VOLUME INCENTIVE:

Payment:

- a) **IM/OEM /Traders:** Volume Incentive, as applicable, shall be paid annually subject to lifting 100% MOU quantity on pro rata basis.
- b) In case customer is able to lift 90% and more but less than 100% of annual MoU quantity during the year, he shall get 50% of TOD of respective slab. From 80%-90% lifting, 25% TOD will be given and below 80% lifting no TOD to be extended.

- c) The maximum quantity under MoU can be lifted up to 120% of originally entered MoU quantity for which they will get Volume Incentive (TOD) applicable for their Quantity slab, but if they lift more than 120% of MoU quantity, no incentive will be paid for the quantity above 120% of MoU quantity.
- d) With regard to IM/OEM who enter MOU during any month of the year, we may enter MOU for the remaining months of the year and they will get the Volume Incentive applicable for respective slab of the proportionate quantity subject to them lifting 100 % of proportionate quantity pro rata of annual MOU Quantity. They will be also be eligible for consistency incentive ensuring minimum 85% pro rata lifting in every month of the first quarter (based on the month for entering MOU) followed by the guidelines of consistency incentives from next quarter onwards as detailed below.
- e) MOU with Project/Construction Segment will be made at a fixed price valid for a specific period as negotiated with the customer based on their requirements and duration of project without any volume incentive however, consistency incentive will be applicable to them.

B. CONSISTENCY INCENTIVE: @ Rs. 250/T (to be paid at the end of each quarter).

- a) The consistency incentive will be paid subject to lifting of minimum 85% pro-rata of monthly quantity during each month of the quarter.
- b) In case the customer fails to lift minimum 85% in any month on pro rata basis in a particular quarter then he must ensure to lift 90% quarterly on pro-rata basis to avail consistency incentive subject to minimum 70% lifting in that particular month.
- c) In case, the customer fails to lift minimum 85% pro rata in any two months in a quarter, then he won't be eligible for any consistency incentive for that quarter.
- d) To ensure smooth lifting, any booking after 15th of any month for rakes and 20th of any month for road dispatch not resulting in respective lifting due to any reason whatsoever, won't be considered for consistency incentive for the month.
- e) In case, customer book the monthly pro rata quantity within the above dates but unable to lift within the month for reasons not attributable to NSL then only lifted quantity shall be considered for any consistency incentive.

Note:

- i) *Booking hereby refers to that the customer has made the payment in advance to book the quantity for road and rake dispatch.*
- ii) *Lifted quantity hereby means the invoiced/billed quantity.*
- f) However, in case NSL fails to produce or deliver the HRC/Plates/Sheets due to any reason whatsoever except in case of any Force Majeure event against order from the customer in any particular month, customer shall be allowed to lift the balance quantity of previous month into next month to get consistency incentive of previous

month as well.

- g) In case, NSL fails to produce or deliver the HRC/Plates/Sheets due to any reason whatsoever except in case of any Force Majeure event against order from the customer for two consecutive months, then the respective Sales Order shall be short closed and applicable Consistency Incentive on the existing booked quantity of that particular order shall be credited to the customer's account.
- h) Project and Construction Segment shall be exempted from the monthly offtake criterion. However, they would be required to fulfil Quarterly lifting criteria of $\geq 100\%$ of quarterly pro-rata of MOU quantity to receive consistency incentive @ Rs. 250 per ton to be paid at the end of quarter.

Annexure-1A

MEMORANDUM OF UNDERTANDING (MoU)

This Memorandum of Understanding (MoU) is entered into this ___day of the month _____ and year _____ between NMDC Steel Limited (NSL), and _____ (Name of the customer) with a view to know the possible market requirement and decide production plan to enable NSL 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

Category	Size	Quality	Quantity (MT)				
			Qr. I	Qr. II	Qr. III	Qr. IV	Total (Annual)

That it is clearly understood between NSL 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 for supply of iron and steel materials through direct dispatch/stockyard delivery.

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Name and designation of
NSL officer

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Name and designation of
authorized signatory of Customer