

MOU SCHEME FOR FINANCIAL YEAR 2010-11 FOR SALE OF ALUMINIUM METAL IN DOMESTIC MARKET

MEMORANDUM OF UNDERSTANDING

1. This memorandum of understanding (MOU) is between M/s having its registered office at (first part) and M/s National Aluminium Company Limited having its registered office at Plot no.P/1, Nayapalli, Bhubaneswar-751013 and regional office at (second part) and is being signed on.....(date).

This memorandum of understanding will be governed broadly by the following terms and conditions :

2. The MOU Quantity for the period 01-04-2010 to _____ is _____ MT for M/s.

.....
Quarterly break up of Annual MOU quantity shall be as follows :

1 st Quarter - April to June'10	:
2 nd Quarter - July to Sept'10	:
3 rd Quarter - Oct to Dec'10	:
4 th Quarter - Jan to March'11	:

3. MOU PERIOD, PRODUCTS & QUANTITY :

(a) PERIOD: Financial Year 2010-11 (from 01.04.2010 to 31.03.2011).

(b) PRODUCTS COVERED: Aluminium Ingots, T. Ingots, Sows, Billets, Wire rods, Cast Strips and Rolled Products or any other Aluminium Products.

(c) ANNUAL MOU QUANTITY : Total Quantity for FY 2010-11. Minimum Annual MOU quantity signed shall be 100MT.

(d) QUARTERLY MOU QUANTITY: The financial year shall be divided into 4 quarters: April to June 2010; July to Sept 2010; Oct to Dec 2010; Jan to Mar 2011. Customers desirous of signing MOU for the whole year or for the 1st quarter shall sign preferably before 20th April 2010. Customers desirous of signing MOU for any quarter other than 1st quarter and consecutively from that quarter shall sign that preferably before 15th of the preceding month prior to beginning of that (those) quarter(s). Minimum quantity signed for a quarter shall be 25 MT. Customers who sign MOU quantity for the whole year; but do not qualify for annual and loyalty reward by virtue of not meeting eligibility criteria therein may sign MOU scheme afresh for any quarter and consecutively from that quarter. They will be entitled to respective quarterly/monthly benefit afresh but will not be eligible to get the benefits available for MOU signed for the whole year. Customers signing MOU for the whole year are allowed for signing differential quarterly quantities within the range of 20% to 30% of Annual signed quantity. The quantities signed shall be subject to availability. Those customers interested in signing MOU for the whole year shall be preferred in signing MOU quantities over other MOU customers.

(e) **MONTHLY MOU QUANTITY:** Quarterly MOU quantity as mentioned at para-3(d) divided by 3(three).

4. **FACILITIES / BENEFITS FOR MOU CUSTOMERS:**

[I] Priority in dispatch /queue for MOU Customers:

(a) Despatch Priority: Considering successful MOU customer's DI issuance date as 1st day incase their turn does not come for dispatch on the 3rd day, then the priority would be in terms of 50% of the DI outstanding quantity (subject to availability of grade of metal mentioned in the DI). However, such priority will be restricted to the stipulated monthly MOU quantity only. In case there is a queue amongst the MOU customers, the above priority would be limited to as per following:-

<u>Monthly MOU quantity(MT)</u>	<u>Maximum No of trucks(approx 9MT each) per day</u>
Upto 1000MT	7 (including max. 3 Trucks of Wire Rod, if any)
>1000 to 2000MT	14 (including max. 5 Trucks of Wire Rod, if any)
> 2000MT	18 (including max. 7 Trucks of Wire Rod, if any)

The above priority would be applicable to a particular party (with respect to a particular party code) / corporate body.

(b) In case of more metal availability after considering above, the additional metal could be given on priority to MOU customers as per DI seniority against their pending DIs up to their monthly MOU quantity. After that balance DI of MOU customers will be served as per DI seniority to fulfill their shortfall in meeting the MOU eligibility criteria for quarterly and annual MOU quantity in that order subject to availability of metal. In case of further metal availability after meeting the above, metal may be first given to MOU customers upto 10% above the monthly MOU quantity in order of DI seniority of these customers and then despatched to both MOU & Non MOU customers depending on their DI seniority.

(c) Tatkal Scheme : The customers who have signed Annual MOU quantity and have fulfilled the MOU requirements on the date of making the request, can have overriding priority over & above the priority mentioned at para 4 I(a & b) in dispatch upto 10% of Monthly MOU Quantity (subject to minimum of 1 truck) from Smelter Plant within the monthly MOU quantity. However, such Tatkal despatch will be limited to 5 Truck loads per customer per day. The request for such Tatkal despatches may be exercised only once in a quarter. The total quantity to be dispatched to customers under Tatkal scheme from Smelter Plant will be limited to maximum of 10 trucks per day. The customers interested to avail the scheme should contact the respective regional offices and Orissa based customers to Corporate Marketing Dept. The requests coming during a day upto 4 PM will be served in the order of DI seniority and continue for the subsequent days of despatch until the quantity under Tatkal scheme gets exhausted.

[II] MOU Customer Reward: This would be calculated considering the following:

(i) GRADED MOU REWARD:

Graded MOU Reward Percentage will be calculated as per table given below.

Sl. No.	Monthly MOU qty	Quarterly MOU qty	Annual MOU qty	Monthly MOU reward in %	Quarterly MOU reward in %	Annual MOU reward in %	Total MOU reward in %
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	≥ 8.5 < 30	≥ 25 < 90	≥ 100 < 360	0.71	0.96	0.71	2.38
(ii)	≥ 30 < 50	≥ 90 < 150	≥ 360 < 600	0.74	1.00	0.74	2.48
(iii)	≥ 50 < 100	≥ 150 < 300	≥ 600 < 1200	0.77	1.04	0.77	2.58
(iv)	≥ 100 < 200	≥ 300 < 600	≥ 1200 < 2400	0.80	1.08	0.80	2.68
(v)	≥ 200 < 334	≥ 600 < 1000	≥ 2400 < 4000	0.83	1.12	0.83	2.78
(vi)	≥ 334 < 500	≥ 1000 < 1500	≥ 4000 < 6000	0.86	1.16	0.86	2.88
(vii)	≥ 500 < 667	≥ 1500 < 2000	≥ 6000 < 8000	0.89	1.20	0.89	2.98
(viii)	≥ 667 < 1000	≥ 2000 < 3000	≥ 8000 < 12000	0.95	1.28	0.95	3.18
(ix)	≥ 1000 < 1500	≥ 3000 < 4500	≥ 12000 < 18000	1.01	1.36	1.01	3.38
(x)	≥ 1500 < 2000	≥ 4500 < 6000	≥ 18000 < 24000	1.07	1.44	1.07	3.58
(xi)	≥ 2000 < 2500	≥ 6000 < 7500	≥ 24000 < 30000	1.13	1.52	1.13	3.78
(xii)	≥ 2500 < 3000	≥ 7500 < 9000	≥ 30000 < 36000	1.19	1.60	1.19	3.98
(xiii)	≥ 3000 < 3500	≥ 9000 < 10500	≥ 36000 < 42000	1.25	1.68	1.25	4.18
(Xiv)	≥ 3500	≥ 10500	≥ 42000	1.31	1.76	1.31	4.38

[A] Eligibility for fulfilling Monthly MOU quantity :

The customers who lift Minimum 80% of signed monthly MOU quantity shall be eligible for monthly MOU reward. Shortfall up to 10 MT in achieving 100% of signed monthly MOU quantity shall not be considered as failure.

[B] Eligibility for fulfilling Quarterly MOU quantity :

The customers who lift Minimum 90% of signed quarterly MOU quantity shall be eligible for quarterly MOU reward. Shortfall up to 10 MT in achieving 100% of signed quarterly MOU quantity shall not be considered as failure.

[C] On fulfillment of eligibility criteria for quarterly MOU quantity and monthly MOU quantity, graded MOU reward at the rate applicable on the signed quantity shall be paid for the actual quantity lifted by the customer as per % indicated above under column 6 and 5 multiplied by the weighted average basic price(ex-plant) raised in favour of respective customer during the quarter and month respectively.

[D] (i) Annual Reward:

If any MOU customer who has signed the MOU quantity for the whole year, fulfills eligibility criteria for monthly MOU reward for atleast 8 months during the financial year, achieves minimum 90% of the signed quarterly quantity of 1st & 2nd Quarter put together, lifts 100% of annual signed quantity for the whole year shall be paid Annual Reward at the rate applicable on the signed quantity for the actual quantity lifted as per % indicated under column 7 above multiplied by the weighted average basic price (ex-Plant) raised in favour of respective customer during the year.

(ii) Loyalty Reward:

The customers who have signed annual MOU for 2010-11 and have qualified for MOU reward in last 1, 2, or 3 preceding years shall be eligible for lump sum loyalty reward on the total quantity lifted during the year as mentioned below:-

- (a) Last one year – Rs. 50/- pmt
- (b) Last two years – Rs.100/-pmt
- (c) Last three years – Rs.150/-pmt.

[E] Payment of Rewards:

The graded MOU reward for the month, for the quarter and Annual Reward (including Loyalty Reward) for the year shall be paid preferably within 15 days but not more than a month, from the expiry of respective month, quarter and year by way of credit note.

5. REVISION IN ANNUAL MOU :

There may be some MOU customers for 2010-11 who have signed MOU for the whole year and wish to revise their Annual MOU Quantity during the financial year depending on their requirement. Such customers shall be permitted to exercise option for a mid-year revision to the annual MOU quantity subject to the following:

- (i) The reduced Annual MOU quantity, if any, should not be less than 90% of the original Annual Signed MOU quantity and should be equal to or more than 100MT.
- (ii) Increase in Annual MOU quantity may be allowed without any ceiling subject to availability of metal.
- (iii) The customers signing MOU for a quarter or for consecutive quarters shall not be eligible for revision of Annual MOU.
- (iv) Such request for revision in Annual MOU quantity should be received by NALCO by **30th September 2010** and the revision in quantity, if agreed, shall be applicable from **1st October 2010 to 31st March 2011**.

(v) The quarterly MOU quantity and corresponding monthly MOU quantity for 3rd quarter and 4th quarter will get increased/decreased accordingly. The quarterly and monthly MOU Quantity for 2nd half of FY 2010-11 i.e. from October'10 to March'11 shall be revised as follows:

$$(a) \text{ Revised quarterly MOU Quantity} = \frac{[\text{Revised Annual MOU quantity} - (\text{Original Annual MOU Qty for 1}^{\text{st}} \& \text{2}^{\text{nd}} \text{ qtr})]}{2}$$

$$(b) \text{ Revised Monthly MOU Quantity} = \frac{\text{Revised quarterly MOU Quantity [as per (a) above]}}{3}$$

(vi) On revision of Annual MOU Quantity, the benefits associated with quarterly & monthly MOU Quantity will be with reference to the rate applicable to original quarterly & monthly MOU quantity for 1st & 2nd quarter and with reference to rate applicable to revised quarterly & monthly MOU quantity for 3rd & 4th quarter as per column 6 & 5 of Graded MOU Reward table.

6. Basic price for the purpose of calculating the MOU Reward would be the Basic price ex-Plant, ruling on the date of dispatch irrespective of place of actual lifting.
7. All discounts & credit terms as applicable to the general category of customers would also be applicable to MOU customers.
8. The price and the term and conditions for supply shall be as per the Company's policy declared from time to time by NALCO.
9. **The MOU qualifying customers are free to lift material for their various units located in different locations under different party codes as Corporate Sector.** However, during operation of MOU scheme, some of these MOU customers (Corporate Sectors) may place orders from different units which are not included in the MOU list at the time of signing of MOU. For such MOU customers (Corporate Sectors), new additional party codes may be incorporated in the original MOU list in addition to the existing ones without changing the total MOU quantity for such MOU customers (Corporate Sectors), subject to their fulfilling required conditions and upon approval of Competent Authority of NALCO.

DISCLAIMER : This is a reward scheme for loyalty and consistency, benefit of which would accrue based on successful performance as stipulated in the scheme.

The memorandum of understanding has been entered into on the aforementioned date by the authorized representatives of both parties.

1ST PART

2ND PART

For _____

For NATIONAL ALUMINIUM CO. LTD.

By _____

By _____

Designation :

Designation :