

**MOU SCHEME FOR FINACIAL YEAR 2009-10 FOR SALE OF ALUMINIUM METAL
IN DOMESTIC MARKET**

MEMORANDUM OF UNDERSTANDING

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 :

1. The MOU Quantity for the period 01-04-2009 to 31-03-2010 is _____ MT for M/s.
2. MOU PERIOD, PRODUCTS & QUANTITY :
 - (a) **PERIOD**: Financial Year 2009-10 (from 01.04.2009 to 31.03.2010).
 - (b) **PRODUCTS COVERED**: Aluminium Ingots, T. Ingots, Sows, Billets, Wire rods, Cast Strips and Rolled Products.
 - (c) **ANNUAL MOU QUANTITY** : Total Signed Quantity for FY 2009-10 including revision mentioned at para-5.
 - (d) **QUARTERLY MOU QUANTITY** : Annual MOU Quantity divided by 4 (Four) in the respective quarters defined as April – June, July – September, October – December and January – March of the financial year 2009-10 except for revised quarterly MOU quantity as enumerated at para-5 and quarterly quantity mentioned at para 3. To take care of seasonal demand of certain customers, at the option of those customers facing seasonal demand **quarterly** MOU quantity may be fixed in variation to normal procedure within a range of 15% to 35% of Annual MOU quantity so that sum of **quarterly** MOU quantity signed equals to Annual signed MOU quantity. This option is to be exercised at the time of signing Annual MOU quantity.
 - (e) **MONTHLY MOU QUANTITY**: Quarterly MOU quantity as mentioned at para-2(d) divided by 3(three).
3. (i) Annual MOU quantity will preferably be signed not later than 15.04.2009.
 - (ii) Those customers who miss to sign the Annual MOU and who fail to perform in the 1st half of Annual MOU as per para 4(III)(a) may join the Half yearly MOU scheme for a minimum quantity of 100 MT subject to metal availability, for a period of six months starting from 1st October 2009 to 31st March 2010. Customers interested to join half yearly MOU scheme should send their request letter to NALCO by 15th Sept. 2009. Quarterly MOU quantity in this case shall be half yearly MOU quantity divided by 2(two).

4. FACILITIES / BENEFITS MOU CUSTOMERS :

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

(a) Tatkal Scheme : Those customers who have signed Annual MOU for 2009-10 and are continuing as MOU customers can request to have overriding priority over & above the priority mentioned at para 4 I(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 send their request letters mentioning the DI details against which they are requesting for Tatkal despatch in a format which shall be circulated. All these requests will be made by the customers to the respective Regional Offices and by Orissa based customers to Corporate Marketing. The Regional Office in turn shall forward these requests to Corporate Marketing Deptt. 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 or the customer withdraws his request. On withdrawal of request one more request may be entertained during the quarter.

(b) MOU customers will get priority in dispatch. Considering the DI issuance date as 1st day and the turn of the MOU customer does not come for dispatch of the specified product while making the program on the 2nd day for loading on the 3rd day, then the priority would be in terms of 50% of the DI outstanding quantity on the date of making the program (subject to availability of grade of metal mentioned in the DI). However, such priority will be restricted to the stipulated monthly MOU quantity only. There could also be an inevitable queue amongst the MOU customers depending on the DI quantum and the stock availability. To avoid such situation to the extent possible, the above priority would be limited to the quantity so dispatched to a particular party (with respect to a particular party code) / corporate body upto a maximum of 12 Trucks per day (including maximum of 4 trucks of Wire rods per day) for monthly MOU quantity less than 1500MT and upto a maximum of 15 trucks per day (including maximum of 6 trucks of Wire rods per day) for monthly MOU quantity \geq 1500MT.

(c) In case of more metal availability after considering above, the additional metal could be given on priority to MOU customers against their pending DIs but not more than their monthly MOU quantity. After exhausting pending DIs of MOU customers upto their monthly MOU quantity, if still some quantity is available that could be given upto 110% of monthly MOU quantity (10% above the monthly MOU quantity) in the order of seniority of DIs of MOU customers. After meeting upto 110% of monthly MOU quantity if there is surplus material available the same may be despatched to the MOU customers in the order of respective DI seniority to fulfill their shortfall in meeting their eligibility for quarterly, half-yearly and annual MOU quantity in September 2009 and March 2010 subject to availability of metal. In case of further metal availability after

meeting the above metal may be despatched to both MOU & Non MOU customers depending on their DI seniority.

[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.	Annual MOU Quantity 2009-10	Quarterly MOU qty	Monthly MOU qty	Total annual Graded MOU reward in %	Monthly MOU reward in % (20%)	Quarterly MOU reward in % (30%)	Year end MOU reward in % (50%)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
(i)	≥200 < 600	≥ 50 < 150	≥16.5 < 50	1.80	0.360	0.540	0.900
(ii)	≥600 < 2400	≥150 < 600	≥50 < 200	1.95	0.390	0.585	0.975
(iii)	≥2400 < 6000	≥ 600 < 1500	≥ 200 < 500	2.10	0.420	0.630	1.050
(iv)	≥6000 < 12000	≥ 1500 < 3000	≥ 500 < 1000	2.25	0.450	0.675	1.125
(v)	≥12000 < 18000	≥ 3000 < 4500	≥ 1000 < 1500	2.40	0.480	0.720	1.200
(vi)	≥18000 < 24000	≥ 4500 < 6000	≥ 1500 < 2000	2.55	0.510	0.765	1.275
(vii)	≥24000 < 30000	≥ 6000 < 7500	≥ 2000 < 2500	2.70	0.540	0.810	1.350
(viii)	≥30000 < 36000	≥ 7500 < 9000	≥ 2500 < 3000	2.85	0.570	0.855	1.425
(ix)	≥ 36000	≥9000	≥ 3000	3.00	0.600	0.900	1.500

[A] Eligibility for fulfilling Monthly MOU quantity :

- (a) Eligibility for fulfilling Monthly MOU quantity for the first 3 months only (i.e. April to June'09) - Minimum 70% of signed Monthly MOU quantity or shortfall up to 10 MT in achieving 100% of signed monthly MOU quantity (which shall not be considered as failure).
- (b) For the next 9 months of the MOU period (i.e July'09 to Mar'10) - Minimum 80% of signed Monthly MOU quantity or shortfall up to 10 MT in achieving 100% of signed monthly MOU quantity(which shall not be considered as failure).

[B] Eligibility for fulfilling Quarterly MOU quantity :

- (a) Eligibility for fulfilling Quarterly MOU quantity for the 1st Quarter only (i.e. April-June'09) – Minimum 80% of signed Quarterly MOU quantity or shortfall up to 10 MT in achieving 100% of signed quarterly MOU quantity (which shall not be considered as failure).
- (b) For the next 3 Quarters of the MOU period - Minimum 90% of signed quarterly MOU quantity or shortfall up to 10 MT in achieving 100% of signed quarterly MOU quantity (which shall not be considered as failure).

[C] Eligibility for fulfilling Annual MOU quantity – Minimum 100% of signed Annual MOU quantity.

On fulfillment of eligibility criteria for Monthly MOU quantity, Quarterly MOU quantity and Annual 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 under above columns 6, 7 & 8 respectively multiplied by the weighted average basic price (ex-Plant) raised in favour of respective customers during the respective period.

The graded MOU reward for the month, for the quarter and for the year shall be paid preferably within 15 days from the expiry of respective month, quarter and year by way of credit note.

(ii) Loyalty Bonus: Annual MOU customers who have been successful in fulfilling MOU targets will earn loyalty bonus at the following rates over & above their monthly/quarterly/year end MOU reward mentioned under column 6,7 & 8 above. Lifting of 100% of annual MOU quantity (includes revised MOU quantity) each year will qualify for loyalty bonus. The loyalty bonus shall be calculated and paid as a % of graded MOU reward calculated under column 6, 7 & 8 above taken together.

<u>Successful in fulfilling MOU targets</u>	<u>Loyalty Bonus (in %) of Total MOU Reward</u>
2009-10	5%
2007-08 & 2009-10	7.5%
2008-09 & 2009-10	10%
2007-08, 2008-09 & 2009-10	15%

The loyalty bonus as applicable will be payable along with the year end MOU reward at the end of the financial year 2009-10 by way of credit note.

(iii) Special Loyalty Bonus : Successful MOU customers entitled for Loyalty Bonus as above shall be eligible for **special loyalty bonus** of total MOU reward provided their signed/revised annual MOU quantity in 2009-10 is higher compared to signed/revised MOU quantity in 2008-09 as per table given below:-

<u>Signed/revised annual MOU qty of 2009-10 higher than signed/revised MOU qty in 2008-09</u>	<u>Special Loyalty Bonus (in%) of Total MOU Reward</u>
> 100 < 105%	5%
≥ 105 < 110%	10%
≥ 110 < 115%	15%
≥ 115 < 120%	20%
≥120 <125%	25%
≥125%	30%

For the above purpose revised annual MOU quantity will be considered if original annual MOU quantity has been revised within the MOU scheme of the respective years. Special Loyalty Bonus shall be calculated and paid as a % of graded MOU reward calculated under column 6, 7 & 8 of table for graded MOU reward taken together(except loyalty bonus). Special Loyalty Bonus as applicable will be payable along with the year end MOU reward at the end of the financial year 2009-10 by way of credit note.

(iv) (a) Consistency Reward for customers signing Annual MOU quantity: The MOU customers who lift $\geq 100\%$ of their monthly MOU quantity on a consistent basis for all the months under the concerned period will be entitled by way of credit note to the following consistency reward on the quantity lifted during the respective period:

Consistency in 1st six months – Rs.200/- per MT
Consistency in 1st nine months – Rs.300/- per MT
Consistency in all 12 months – Rs. 400/- per MT

The consistency reward for 1st six months will be paid by 15th October 2009, the consistency reward for 1st nine months will be paid by 15th January 2010 and the consistency reward for all 12 months will be paid by 15th April 2010. The consistency reward for 1st nine months will be paid after deducting the consistency reward paid for the 1st six months and similarly the consistency reward for all 12 months will be paid after deducting the consistency reward paid in the 1st nine months.

(b) Consistency reward for customers signing half-yearly MOU quantity:- The MOU customers who lift $\geq 100\%$ of their monthly MOU quantity on a consistent basis for all the six months of half-yearly MOU period will be entitled by way of credit note @ Rs.200/- per MT on the quantity lifted during the half-yearly period. The consistency reward for the customers signing half-yearly MOU quantity will be paid by 15th April 2010.

[III] Qualification criteria: To continue to get benefits under the scheme:-

- (a)(i) For Annual MOU scheme, the customer should fulfill the eligibility criteria for monthly MOU reward for atleast 8 times during the year.
- (ii) The customer should achieve lifting of minimum 45% of the annual signed MOU quantity in the 1st six months ending on 30th September 2009.
- (iii) The customer signing differential quarterly MOU quantity mentioned at para 2(d) should achieve lifting of minimum 90% of sum of 1st quarter and 2nd quarter MOU quantity in the 1st six months ending on 30th September 2009.
- (iv) The customer should lift the Annual MOU quantity in the MOU period of 2009-10.

(b) For Half yearly MOU scheme, the customer should fulfill the eligibility criteria for monthly MOU reward for atleast 4 times during the period October'09-March'10 besides lifting the signed half yearly MOU quantity.

Once an MOU customer fails to meet the criteria as above, the customer would automatically cease to be an MOU customer and would not be entitled for any benefit under the scheme thereafter.

5.(A) **REVISION IN ANNUAL MOU :**

There may be some MOU customers for 2009-10 who wish to revise their Annual MOU Quantity during the financial year depending on their requirement. Such customers shall be permitted to exercise options for a mid-year(1st revision) and nine(9) monthly(2nd revision) correction to the annual MOU quantity subject to the following:

(i) Reduction in the Annual MOU Quantity may be allowed. However, the reduced MOU quantity should not be less than 90% of the original Signed MOU quantity and should be equal to or more than 200MT in case of mid-year correction (1st revision). Similarly, in case of 9 monthly correction (2nd revision) the reduced Annual MOU quantity (2nd revision) should not be less than 90% of original signed Annual MOU quantity or 90% of revised (1st revision) signed Annual MOU quantity in case there is 1st revision and should be equal to or more than 200 MT.

(ii) Increase in MOU quantity may be allowed without any ceiling subject to availability of metal.

(iii) Such request for revision in annual MOU quantity in the mid year revision (1st revision) should be received by NALCO by 10th September 2009 and the revision in quantity, if agreed, shall be applicable from **1st October 2009 to 31st March 2010**. Similarly such request for revision in annual MOU quantity in 9 monthly revision (2nd revision) should be received by NALCO by 10th December 2009 and revision in quantity, if agreed, shall be applicable from 1st January to 31st March 2010.

(iv) The quarterly MOU quantity and corresponding monthly MOU quantity for 3rd quarter and 4th quarter will get increased/decreased accordingly.

(v) On 1st revision of Annual MOU Quantity, the benefits associated with Annual MOU Quantity will be with reference to the rate applicable to original Annual MOU quantity for 1st & 2nd quarter and with reference to rate applicable to revised Annual MOU quantity for 3rd & 4th quarter as per column 8 of Graded MOU Reward table. The benefits associated with Quarterly/Monthly MOU quantity will be with reference to original quantity prior to revision and to revised quantity after the revision.

On 2nd revision of Annual MOU Quantity, the benefits associated with Annual MOU Quantity will be with reference to the rate applicable to original Annual MOU quantity for 1st & 2nd quarter, with reference to rate applicable to revised Annual MOU quantity (1st revision) for 3rd quarter and with reference to rate applicable to revised Annual MOU quantity (2nd revision) for 4th quarter.

(vi) The quarterly and monthly MOU Quantity for 2nd half of FY 2009-10 in case of 1st revision i.e. from October'09 to March'10 shall be revised as follows:

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

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

(vii) The quarterly and monthly MOU quantity for last quarter of 2009-10 i.e. from January 2010 to March 2010 in case of 2nd revision shall be revised as follows:

(a) Revised quarterly MOU Quantity =
Revised Annual MOU quantity (2nd rev)-(Original MOU Qty for 1st & 2nd qtrs)-
(Original MOU qty for 3rd qtr in case of no 1st revision or revised MOU qty for 3rd
qtr (1st revision) in case of 1st revision, as applicable

(b) Revised Monthly MOU Quantity =
Revised quarterly MOU Quantity [as per (a) above]

3

(B) REVISION IN HALF-YEARLY MOU :

Some customers signing half-yearly MOU under para 3 may wish to revise their half-yearly MOU Quantity. Such customers shall be permitted to exercise one time option at the end of the 3rd quarter of 2009-10 (FY) subject to the following:

(i) The reduced half-yearly MOU quantity should not be less than 90% of the originally signed half-yearly MOU quantity and should be equal to or more than 100MT.

(ii) Increase in half-yearly MOU quantity may be allowed without any ceiling subject to availability of metal.

(iii) Such request for revision in half-yearly MOU quantity should be received by NALCO by 10th December 2009 and the revision in quantity, if agreed, shall be applicable from **1st January 2010 to 31st March 2010.**

(iv) The quarterly MOU quantity and corresponding monthly MOU quantity for the 4th quarter will get increased/decreased accordingly.

(v) The quarterly and monthly rewards for 3rd quarter shall be based on originally signed half-yearly MOU quantity and the quarterly and monthly rewards for the 4th quarter shall be based on revised quarterly and monthly quantity respectively.

(vi) The revised quarterly and monthly quantity for the 4th quarter will be derived according to the following formulae:

(a) Revised quarterly MOU Quantity (Half yearly MOU) =
Revised half-yearly MOU qty- Original 3rd qtr MOU Qty under half-yearly MOU.

(b) Revised monthly MOU Quantity (Half yearly MOU) =
Revised quarterly MOU quantity(Half yearly MOU)

3

6. Based on the total quantity lifted, the first 3 valued MOU customers in the order of their lifting of total quantity during 2009-10 will be ranked and will be felicitated accordingly in a function conducted by NALCO. Besides the above, based on the total quantity lifted the first customer of all the Regions i.e North, East, South & West will also be felicitated in the above function conducted by NALCO. Apart from above, all the MOU customers who fulfill MOU terms and conditions for 2009-10 will be given plaques to this effect.
7. 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.

8. All discounts & credit terms as applicable to the general category of customers would also be applicable to MOU customers.
9. The price and the term and conditions for supply shall be as per the Company's policy declared from time to time by NALCO.
10. 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 :