

MOU SCHEME FOR FINANCIAL YEAR 2014-15 FOR SALE OF ALUMINIUM METAL IN DOMESTIC MARKET

MEMORANDUM OF UNDERSTANDING 2014-15

This memorandum of understanding (MOU) is between M/s (First part) having its office at and M/s National Aluminium Company Limited (Second part) having its registered office at Plot No. P/1, Nayapalli, Bhubaneswar-751061 and is being signed on..... (Date).

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

1. M/s..... has requested for an Annual / Quarterly MOU quantity of MT as per following quarterly break-up. However after review of availability of metal M/s. NALCO has agreed for... MT of metal for the period from to as per following quarterly break-up.

	Quarterly break up of Requested qty (MT)	Quarterly break up of agreed qty (MT)
1st Quarter - April to June' 14		
2nd Quarter - July to Sept' 14		
3rd Quarter - Oct to Dec' 14		
4th Quarter - Jan to March' 15		
TOTAL ANNUAL MOU QTY		

2. MOU PERIOD, PRODUCTS & SIGNING DATE

- (a) PERIOD: Financial Year 2014-15 (from 01.04.2014 to 31.03.2015).
- (b) PRODUCTS COVERED: Aluminium Ingots, T. Ingots, Sows, Billets and Wire rods.
- (c) Last date for signing MOU:
 - (i) For Annual MOU Scheme: Customers desirous of signing MOU for the whole year shall sign preferably before 17th April 2014.
 - (ii) For Quarterly MOU Scheme: Customers desirous of signing MOU for any quarter other than 1st quarter and consecutively from that quarter shall sign preferably before 15th of the preceding month prior to beginning of that (those) quarter(s). For 1st quarter, the last date of signing would be 17th April' 2014.

3. MOU SCHEME

(a) ANNUAL MOU SCHEME

- (i) Customers desirous of signing MOU for the whole year shall be covered under this scheme. Their signed annual MOU quantity shall be total Annual MOU Quantity agreed by NALCO for FY 2014-15. Minimum Annual MOU quantity shall be 96 MT.
- (ii) Quarterly MOU qty: Normally quarterly MOU Quantity shall be Annual MOU quantity divided by 4 (Four) for the quarters defined under sl. no. 1. However, customers signing MOU for the whole year are also allowed for signing differential quarterly quantities within the range of 20% to 30% of Annual signed quantity and the benefits associated with their quarterly & monthly MOU Quantity will be with reference to the rate applicable to quarterly & monthly MOU quantity as per column 6 & 5 respectively of Graded MOU Reward table at sl.no. 4[III] irrespective of the rate applicable to signed Annual MOU quantities.
- (iii) Monthly MOU quantity: Quarterly MOU quantity as mentioned above at sl. no. (ii) divided by 3(three).
- (iv) Customers who sign Annual MOU quantity for the whole year; but do not qualify for annual reward by virtue of not meeting eligibility criteria, as per sl.no. 4[I-A] therein may sign MOU afresh for any quarter and consecutively from that quarter. Request from such customers should reach the respective regional offices by 5th of the month following the quarter when they get disqualified. They will be entitled to respective quarterly/monthly benefit afresh but will not be eligible to get the specific benefits available for Annual MOU such as TATKAL SCHEME, Annual Rewards.
- (v) The supply of MOU quantities signed by the customers shall be subject to metal availability. Those customers interested in signing MOU for the whole year shall be preferred in signing MOU quantities over other MOU customers.

(b) QUARTERLY MOU SCHEME

- (i) Customers (any new customer or those disqualified from Annual MOU scheme or from any of the Quarterly MOU schemes) desirous of signing Quarterly MOU for any one quarter/any two consecutive quarters/any three consecutive quarters shall be covered under this scheme. Minimum MOU quantity for a quarter shall be 24 MT. Their signed MOU quantity for any one quarter/any two consecutive quarters/any three consecutive quarters shall be total MOU quantity agreed by NALCO considering the metal availability.
- (ii) Quarterly MOU qty: Total signed MOU quantity equally divided into one quarter/ two quarters/ three quarters, as the case may be.

(iii) Monthly MOU qty: Quarterly MOU quantity as mentioned above at Sl.No.(ii) above divided by 3(three) for a particular quarter.

4. FACILITIES / BENEFITS FOR MOU CUSTOMERS

I. ELIGIBILITY CRITERIA

A. To continue to get benefits under the Annual MOU Scheme:

<p>For Annual MOU Reward</p>	<p>(i) The customer should fulfill the eligibility criteria for monthly MOU reward atleast 4 times in each half of the financial year and 8 times in total.</p> <p>(ii) The customer should achieve minimum 90% of the signed quarterly quantity of 1st & 2nd Quarter put together.</p> <p>(iii)The customer should lift the agreed Annual MOU quantity in the MOU period of 2014-15.</p> <p>(iv) Once an Annual MOU customer fails to meet the criteria as above, the customer would automatically cease to be a MOU customer and would not be entitled for any benefit under the scheme thereafter.</p>
<p>For Quarterly MOU Reward</p>	<p>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.</p>
<p>For Monthly MOU Reward</p>	<p>(i) Eligibility for fulfilling <u>Monthly</u> MOU quantity for April'14 only: The customers who lift minimum 60% 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.</p> <p style="padding-left: 40px;">However, for customers who have signed monthly MOU quantity of ≤ 10 MT, only lifting of minimum 60% of monthly MOU quantity criteria shall be applicable for monthly MOU reward.</p> <p>(ii) For the balance 11 months of the MOU period (i.e May'14 to Mar'15): 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.</p> <p style="padding-left: 40px;">However, for customers who have signed monthly MOU quantity of ≤ 10 MT, only lifting of minimum 80% of monthly MOU quantity criteria shall be applicable for monthly MOU reward.</p>

B. To continue to get benefits under the Quarterly MOU Scheme:

<p>[I]For MOU customers for any one quarter (3 months)</p>	<p>The customer should fulfill the eligibility criteria for monthly MOU reward for all the three months during the MOU period besides lifting the signed 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.</p> <p>The customer who lifts 100% of signed quarterly MOU quantity shall be eligible for quarterly MOU reward.</p>
<p>[II] For MOU customers for 2 consecutive quarters (6 months)</p>	<p>The customer should fulfill the eligibility criteria for monthly MOU reward for atleast 5 times during the MOU period besides lifting the signed 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.</p> <p>(i) <u>For 1st Quarter of MOU period</u>: The customers who lift minimum 90% of signed quarterly MOU quantity in its 1st quarter of MOU period shall be eligible for quarterly MOU reward. Shortfall up to 10 MT in achieving 100% of signed quarterly MOU quantity in 1st quarter shall not be considered as failure.</p> <p>(ii) <u>For 2nd Quarter of MOU period</u> : Customer lifting 100% of the signed MOU quantity for their two quarters put together besides lifting 90% of their signed quarterly quantity in its 2nd quarter of MOU period shall be considered eligible to get the quarterly MOU reward for its 2nd quarter. Shortfall up to 10 MT in achieving 100% of signed quarterly MOU quantity in its 2nd quarter of MOU period shall not be considered as failure.</p>
<p>[III]For MOU customers for 3 consecutive quarters (9 months)</p>	<p>The customer should fulfill the eligibility criteria for monthly MOU reward for atleast 7 times during the MOU period besides lifting the signed 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.</p> <p>(i) <u>For 1st & 2nd Quarters of MOU period</u> : the customers who lift minimum 90% of signed quarterly MOU quantity each in their 1st and 2nd quarters of MOU period shall be eligible for quarterly MOU reward in each quarter. Shortfall up to 10 MT in achieving 100% of signed quarterly MOU quantity in each of these two quarters shall not be considered as failure.</p> <p>(ii) <u>For 3rd Quarter of MOU period</u> : Customer lifting 100% of the signed MOU quantity for their three quarters put together besides lifting 90% of their signed quarterly quantity in its 3rd quarter of MOU period shall be considered eligible to get the quarterly MOU reward for their 3rd quarter of MOU period. Shortfall up to 10 MT in achieving 100% of signed quarterly MOU quantity in its 3rd quarter of MOU period shall not be considered as failure.</p>
<p>For Monthly MOU Reward under Quarterly MOU scheme</p>	<p>(i) Eligibility for fulfilling <u>Monthly</u> MOU quantity for April'14 only: The customers who lift minimum 60% 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.</p> <p style="padding-left: 40px;">However, for customers who have signed monthly MOU quantity of ≤ 10 MT, only lifting of minimum 60% of monthly MOU quantity criteria shall be applicable for monthly MOU reward.</p> <p>(ii) For the balance months of the MOU period (i.e May'14 to Mar'15): 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.</p> <p style="padding-left: 40px;">However, for customers who have signed monthly MOU quantity of ≤ 10 MT, only lifting of minimum 80% of monthly MOU quantity criteria shall be applicable for monthly MOU reward.</p>

II. PRIORITY IN DISPATCH /QUEUE FOR MOU CUSTOMERS

A. Despatch Priority

- (i) Considering 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 pending DI quantity (subject to availability of grade of metal mentioned in the DI). However, for such priority excess over the stipulated monthly MOU quantity shall be ignored. In case there is a queue amongst the MOU customers, the above priority would be limited as per following:-

Sl.No.	Monthly MOU Qty (MT)	Maximum No. of trucks (approx. 9MT) per day
1	< 1000 MT	4 (including max. 3 Trucks of Wire Rods, if any)
2	≥ 1000 MT to <2000 MT	6 (including max. 4 Trucks of Wire Rods, if any)
3	≥ 2000 MT	8 (including max. 5 Trucks of Wire Rods, if any)

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

- (ii) In case of exigencies and less metal availability, metal shall be given on priority to valid MOU customers as per DI seniority against their pending DIs up to their Monthly MOU eligibility criteria as per priority under (i) above.
- (iii) If any customer fails to lift enough quantity to satisfy monthly MOU eligibility criteria in the previous months of a quarter inspite of making serviceable DIs consistently and wants to lift the shortfall quantity in the subsequent months of the quarter, the same will be supplied after meeting (ii) above in order of DI seniority of such customers. However, shortfall in MOU quantity would be supplied subject to metal availability.
- (iv) After (ii) & (iii) above, metal shall be given on priority to MOU customers as per DI seniority against their pending DIs upto their Quarterly MOU eligibility criteria and Annual MOU eligibility quantity.
- (v) After meeting the above criteria at (ii), (iii) and (iv) above, balance DI of MOU customers will be served as per DI seniority to fulfill their 100% monthly MOU quantity and 100% quarterly MOU quantity in that order 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.

B. 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 sl.no. 4 II(A) 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 4 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 8 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 or the request is withdrawn by the customer.

The customers interested to avail the scheme should send their request in the FORMAT provided along with MOU scheme mentioning the DI details against which they are requesting for TATKAL despatch.

III. MOU CUSTOMER REWARD

(A) Quarterly & Monthly MOU Reward (under Annual & Quarterly MOU Schemes)

On fulfillment of eligibility criteria for quarterly MOU reward & monthly MOU reward, 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 column 6 and 5 of sl.no. 4(III)-C below multiplied by the weighted average Price (Price as defined at sl.no. 6) in favour of respective customer during the quarter and month respectively.

(B) Annual Rewards

For Customers Signing Annual MOU: An annual MOU customer (who has signed the MOU quantity for the whole year), on fulfilling the qualifying criteria as per sl.no. 4[I](A) shall be paid Annual Reward at the rate applicable on the signed quantity for the actual quantity lifted as per % indicated under column 7 of sl.no. 4(III)-C below, multiplied by the weighted average Price (Price as defined at sl.no. 6) in favour of respective customers during the year.

(C) 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 < 30	≥ 24 < 90	≥ 96 < 360	0.74	1.24	0.50	2.48
(ii)	≥ 30 < 50	≥ 90 < 150	≥ 360 < 600	0.77	1.29	0.52	2.58
(iii)	≥ 50 < 100	≥ 150 < 300	≥ 600 < 1200	0.80	1.34	0.54	2.68
(iv)	≥ 100 < 200	≥ 300 < 600	≥ 1200 < 2400	0.83	1.39	0.56	2.78
(v)	≥ 200 < 334	≥ 600 < 1000	≥ 2400 < 4000	0.86	1.44	0.58	2.88
(vi)	≥ 334 < 500	≥ 1000 < 1500	≥ 4000 < 6000	0.89	1.49	0.60	2.98
(vii)	≥ 500 < 667	≥ 1500 < 2000	≥ 6000 < 8000	0.95	1.59	0.64	3.18
(viii)	≥ 667 < 1000	≥ 2000 < 3000	≥ 8000 < 12000	1.01	1.69	0.68	3.38
(ix)	≥ 1000 < 1500	≥ 3000 < 4500	≥ 12000 < 18000	1.07	1.79	0.72	3.58
(x)	≥ 1500 < 2000	≥ 4500 < 6000	≥ 18000 < 24000	1.13	1.89	0.76	3.78
(xi)	≥ 2000	≥ 6000	≥ 24000	1.19	1.99	0.80	3.98

(D) Loyalty Reward

The customers who have signed annual MOU for 2014-15 and have qualified for Annual 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:

i)	Last one year (2014-15)	₹50/- pmt
ii)	Last two years (2014-15 & 2013-14)	₹100/- pmt
iii)	Last three years (2014-15, 2013-14 & 2012-13)	₹150/- pmt

However, annual MOU customers with originally signed MOU qty ≥ 1200 MT will be eligible for the above loyalty reward provided they fulfill the eligibility criteria for monthly MOU reward at least 5 times in each half of the financial year (2014-15).

(E) Payment of Rewards

The graded MOU reward for the month, for the quarter and Annual 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.

However, actual payment will be released only after completion of statutory obligations (C-Form etc) by the customer, if any.

5. REVISION IN SIGNED MOU QUANTITY

(A) INCREASE IN MOU QUANTITY

There may be some MOU customers for 2014-15 who wish to increase their signed MOU Quantity (except MOU for any one quarter) during the financial year depending on their requirement. Such MOU customers shall be permitted to exercise their option after three (3) month (1st revision), after six (6) month (2nd revision) and after nine (9) month (3rd revision) subject to the following:

- (i) Increase in signed MOU quantity may be allowed without any ceiling subject to availability of metal.
- (ii) The customers signing MOU for any one quarter under Quarterly MOU Scheme shall not be eligible for revision of MOU.
- (iii) Such request for revision in signed MOU quantity should be received by NALCO as per schedule given below:

Revision	Last date of receiving request	Revision, if agreed, applicable from
1 st	20 th June 2014	1 st July 2014
2 nd	20 th September 2014	1 st October 2014
3 rd	20 th December 2014	1 st January 2015

- (iv) The quarterly and corresponding monthly MOU Quantity after 1st revision of FY 2014-15 shall be revised as follows:
 - a) Revised quarterly MOU Quantity =
$$\frac{[\text{Revised total signed MOU quantity} - \text{Original signed MOU Qty for 1}^{\text{st}} \text{ qtr of MOU period}]}{\text{No. of remaining quarter of signed MOU period}}$$
 - b) Revised Monthly MOU Quantity =
$$\frac{\text{Revised quarterly MOU Quantity [as per (a) above]}}{3}$$

- (v) The quarterly and corresponding monthly MOU Quantity after 2nd revision of FY 2014-15 shall be revised as follows:

a) Revised quarterly MOU Quantity =
$$\frac{[\text{Revised total signed MOU quantity} - \text{Revised/Original signed MOU Qty for 1}^{\text{st}} \& \text{2}^{\text{nd}} \text{ qtr of MOU period}]}{\text{No.of remaining quarter of signed MOU period}}$$

- b) Revised Monthly MOU Quantity =
$$\frac{\text{Revised quarterly MOU Quantity [as per (a) above]}}{3}$$
- (vi) The quarterly and corresponding monthly MOU Quantity after 3rd revision of FY 2014-15 shall be revised as follows:

a) Revised quarterly MOU Quantity =
$$\frac{[\text{Revised total signed MOU quantity} - \text{Revised/Original signed MOU Qty for 1}^{\text{st}}, \text{2}^{\text{nd}} \& \text{3}^{\text{rd}} \text{ qtr of MOU period}]}{\text{No.of remaining quarter of signed MOU period}}$$

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

(B) REDUCTION IN MOU QUANTITY

- (i) One time mid-year reduction of MOU quantity will be applicable only for annual MOU customers who have signed their Annual MOU quantity for the Period 01.04.2014 to 31.03.2015.

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 96 MT.

- (ii) The quarterly and corresponding monthly MOU Quantity for 2nd half of FY 2014-15 (i.e. from October, 2014 to March,2015) shall be revised as follows:

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

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

- (C) On revision of signed MOU Quantity (including MOU customers signing differential quarterly quantities within the range of 20% to 30% of signed MOU quantity), the benefits associated with annual, quarterly & monthly MOU Quantity will be with reference to the rate applicable to originally signed annual, quarterly & monthly MOU quantity for corresponding quarter. After revision of quantity, if any, the rate applicable to revised annual, quarterly & monthly MOU

quantity for remaining period as per column 7, 6 & 5 respectively of Graded MOU Reward table.

6. Price for the purpose of calculating the MOU Reward would be the Basic price ex-Smelter Plant, Angul less all on-invoice discounts, ruling on the date of dispatch.
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 terms and conditions for supply shall be as per the Company's policy declared from time to time by NALCO.
9. All MOU rewards with respect to any particular quarter and Annual MOU reward shall be released to any MOU customer only after receipt of 'C'-Form against the supplies made during the respective quarter.
10. The MOU qualifying customers are free to lift material for their various units having same name with distinct legal entity but located at different locations under different customer codes as Corporate Sector. However, during operation of MOU scheme, some of these MOU customers (Corporate Sectors) may place orders from different units having same name which are not included in the MOU list at the time of signing of MOU. For such MOU customers (Corporate Sectors), new additional customer 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. However customers with different legal entity under the same group or management will not be considered for the purpose.

DISCLAIMER:

This is a reward scheme for loyalty and consistency, benefit of which would accrue based on successful performance as stipulated in the scheme. However, material would be supplied subject to availability. Nalco reserves the right to review the terms of conditions of MOU, if required.

This 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: _____