

## MEMORANDUM OF UNDERSTANDING 2019-20

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 Office at..... (Second part) and is being signed on\_\_\_\_\_ (Date).

This memorandum of understanding (MOU) for each category of products will be governed broadly by the following terms and conditions:

2. (a) M/s\_\_\_\_\_ has requested for an Annual MOU quantity / Nine Months MOU quantity /Six Month MOU quantity (Strike out whichever is not applicable) of \_\_\_\_\_MT of **Alumina hydrate (AH10)**. However, after review of availability of Alumina Hydrate (AH10), M/s NALCO has agreed for \_\_\_\_\_ MT of alumina hydrate (AH10) for the period 01.04.2019 to 31.03.2020 / 01.07.2019 to 31.03.2020 / 01.10.2019 to 31.03.2020 (Strike out whichever is not applicable).
- (b) M/s\_\_\_\_\_ has requested for an Annual MOU quantity / Nine Months MOU quantity /Six Month MOU quantity (Strike out whichever is not applicable) of \_\_\_\_\_MT of **Spl. hydrate**. However, after review of availability of Spl. hydrate, M/s NALCO has agreed for \_\_\_\_\_ MT of Spl. hydrate for the period 01.04.2019 to 31.03.2020 / 01.07.2019 to 31.03.2020 / 01.10.2019 to 31.03.2020 (Strike out whichever is not applicable).

The MOU quantity for each category of products indicated above has to be indicated separately and accordingly all the terms & conditions of MOU would be applicable separately for each of them.

**3. MOU Period, Products and Quantity for each category of products indicated at 2(a) & (b) above :**

- a) **MOU Period**: From 01.04.2019 to 31.03.2020 for Annual MOU, from 01.07.2019 to 31.03.2020 for Nine Month MOU and from 01.10.2019 to 31.03.2020 for Six Month MOU.
- b) **Products covered**: Alumina Hydrate (AH 10) and Special Hydrate.
- c) **Annual MOU quantity**: Total signed quantity for the FY2019-20 including revision as mentioned at para- 11.
- d) **Nine Month MOU quantity**: Total signed quantity for the nine month period starting from 01.07.2019 to 31.03.2020.
- e) **Six Month MOU quantity**: Total signed quantity for six month period starting from 01.10.2019 to 31.03.2020.
- f) **Monthly MOU quantity**: Annual MOU quantity divided by 12(Twelve) for the financial year 2019-20 except for revised monthly MOU quantity as per para-11 for Annual MOU, Nine month MOU quantity divided by 9(Nine) for Nine month MOU and Six Month MOU quantity divided by 6 (Six) for Six Month MOU.

4. (I) **Qualification Criteria for Annual MOU:**
- a) The customer should lift 100% of the signed MOU quantity in the MOU period from 01.04.2019 to 31.03.2020 (including revision as mentioned at para-11).
  - b) The customer should achieve lifting of minimum 40% of their annual signed MOU quantity in the 1<sup>st</sup> six months ending on 30<sup>th</sup> September 2019.
  - c) The customer should lift stipulated monthly MOU quantity in at least 7(seven) months out of 12 (twelve) months. However, lifting of at least 70% of the stipulated monthly MOU quantity shall not be considered as failure.
  - d) Partial lifting (>1 MT) of MOU quantity during April'19 shall not be considered as failure and shall be counted as successful month for achieving qualification criteria at para-4 c) above.
- (II) **Qualification Criteria for Nine Month MOU:**
- a) The customer should lift 100% of the signed Nine Month MOU quantity during the MOU period from 01.07.2019 to 31.03.2020.
  - b) The customer should lift stipulated monthly MOU quantity in at least 6(six) months out of 9 (nine) months. However, lifting of at least 70% of the stipulated monthly MOU quantity shall not be considered as failure.
- (III) **Qualification Criteria for Six Month MOU:**
- a) The customer should lift 100% of the signed Six Month MOU quantity during the MOU period from 01.10.2019 to 31.03.2020.
  - b) The customer should lift stipulated monthly MOU quantity in at least 4(Four) months out of 6 (six) months. However, lifting of at least 70% of the stipulated monthly MOU quantity shall not be considered as failure.

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. **Facilities / Benefits for MOU Customers:**

- a) MOU customers will get priority in dispatch. Considering the DI issuance date as 1<sup>st</sup> day and the turn of the MOU customer does not come for dispatch of the specified product while making the program on the 2<sup>nd</sup> day for loading on the 3<sup>rd</sup> day, then the priority would be given to the MOU customers for giving program on 3<sup>rd</sup> day subject to availability of the product. 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 as follows:

|                            |                             |
|----------------------------|-----------------------------|
| Monthly MOU Qty. <72 MT =  | 1 truck/day (approx 16 MT)  |
| Monthly MOU Qty. <144 MT = | 2 truck /day (approx 32 MT) |
| Monthly MOU Qty. ≥144 MT = | 3 truck/day (approx 48 MT)  |

However in case of more material availability after considering above, the additional material could be given on priority to MOU customers based on their seniority against their pending DIs but not more than their monthly MOU quantity.

In case of material availability after meeting monthly MOU quantity, additional quantity may be given to MOU customers on priority upto 10% over their monthly MOU quantity rounded off to nearest truckload multiples depending on their DI seniority. However, if MOU customers are not interested to lift additional material the same could be given to non-MOU customers.

b) **MOU Customer Reward for MOU of each category of product as indicated at 2 (a) & (b):** This would be calculated considering the following :

- I) Basic price for the purpose of calculating the MOU reward would be the Basic price ex-plant ruling on the date of dispatch.
- II) GRADED MOU REWARD: This would be calculated as follows.

**i) GRADED MOU REWARD FOR ANNUAL MOU:**

| Sl. No | Annual MOU quantity 2019-20 (MT) | Monthly MOU quantity (MT) | Annual graded MOU reward in percentage (%) |
|--------|----------------------------------|---------------------------|--|
| 1      | ≥192< 384                        | ≥16<32                    | 1.0  |
| 2      | ≥384<576                         | ≥32<48                    | 1.3  |
| 3      | ≥576<864                         | ≥48<72                    | 1.6  |
| 4      | ≥864<1152                        | ≥72<96                    | 2.0  |
| 5      | ≥1152<1440                       | ≥96<120                   | 2.5  |
| 6      | ≥1440<2400                       | ≥120<200                  | 3.0  |
| 7      | ≥2400                            | ≥200                      | 3.5  |

On fulfillment of qualification criteria at para-4(I) above, annual graded MOU reward shall be paid for the actual quantity lifted by the customer as per percentage (%) indicated in above table applicable to signed quantity (including revision as mentioned at para-11), multiplied by the weighted average basic price (ex-Plant) of invoices raised in favor of customer during the financial year 2019-20.

**ii) GRADED MOU REWARD FOR NINE MONTH MOU:**

| Sl. No | Nine Month MOU quantity during 01.07.2019 to 31.03.2020 (MT) | Monthly MOU quantity (MT) | Nine Month graded MOU reward in percentage (%) |
|--------|--|---------------------------|--|
| 1      | ≥144< 288  | ≥16<32                    | 0.90   |
| 2      | ≥288<432   | ≥32<48                    | 1.17   |
| 3      | ≥432<648   | ≥48<72                    | 1.44   |
| 4      | ≥648<864   | ≥72<96                    | 1.80   |
| 5      | ≥864<1080  | ≥96<120                   | 2.25   |
| 6      | ≥1080<1800   | ≥120<200                  | 2.70   |
| 7      | ≥1800  | ≥200                      | 3.15   |

On fulfillment of qualification criteria at para-4(II) above, Nine Month graded MOU reward shall be paid for the actual quantity lifted by the customer as per percentage (%) indicated in above table applicable to signed quantity multiplied by the weighted average basic price (ex-Plant) of invoices raised in favour of customer during the MOU period i.e. 01.07.2019 to 31.03.2020.

**iii) GRADED MOU REWARD FOR SIX MONTH MOU:**

| Sl. No | Six Month MOU quantity for the period 01.10.2019 to 31.03.2020 | Monthly MOU quantity (MT) | Six Month graded MOU reward in percentage (%) |
|--------|--|---------------------------|---|
| 1      | ≥96<192  | ≥16<32                    | 0.80  |
| 2      | ≥192<288   | ≥32<48                    | 1.04  |
| 3      | ≥288<432   | ≥48<72                    | 1.28  |
| 4      | ≥432<576   | ≥72<96                    | 1.60  |
| 5      | ≥576<720   | ≥96<120                   | 2.00  |
| 6      | ≥720<1200  | ≥120<200                  | 2.40  |
| 7      | ≥1200  | ≥200                      | 2.80  |

On fulfillment of qualification criteria at Para -4(III) above, Six Month graded MOU reward on the signed quantity shall be paid for the actual quantity lifted by the customer as per percentage (%) indicated in above table multiplied by the weighted average basic price (ex-Plant) of invoices raised in favor of customer during the MOU period i.e. 01.10.2019 to 31.03.2020.

The graded MOU reward shall be paid preferably within 15 days from the expiry of FY 2019-20 by way of credit note.

6. **Loyalty Reward for Annual MOU customers of Alumina Hydrate and Spl. Hydrate:**

In addition to graded MOU reward as above, MOU customers who have lifted 100% of annual MOU quantity (considering revised MOU quantity) in the preceding FY i.e. 2018-19 will qualify for a loyalty bonus subject to their fulfilment of MOU qualifying criteria in the year 2019-20. The loyalty bonus at the rate of 5% of total annual graded MOU reward amount as per para-5(b)(II)(i) above for the year 2019-20 shall be paid to the MOU customer. The loyalty bonus as applicable will be payable along with the annual graded MOU reward at the end of the financial year 2019-20 by way of credit note.

7. All discounts & credit terms as applicable to non-MOU 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. Supplies of various grades of Special hydrate against their MOUs shall be made as per the availability of these grades and DI seniority. In the event of any shortfall in supply by NALCO during any period of the MOU, no compensation would be payable by NALCO.

10. **SUSPENSION OF BUSINESS RELATIONSHIP / BLACKLISTING:**

In case any customer(s) indulge in threatening / intimidation / making false allegations / canvassing / connivance against or with company officials, the business relationship of Nalco with the said customer(s) will immediately be suspended pending inquiry. In case in the inquiry, the above acts are established, the said customer(s) will be blacklisted.

11. **Revision in MOU for Annual MOU customers of Alumina Hydrate and Spl. Hydrate:**

There may be some customers who wish to revise their Annual MOU Quantity during the financial year depending on their requirement. Such customers shall be permitted to exercise one time option for a mid-year revision to the annual MOU quantity, separately for each category of products, 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 Signed MOU quantity and should be equal to or more than 192 MT.
- ii) Increase in MOU quantity may be allowed without any ceiling subject to availability of the product.
- iii) Such request for revision in annual MOU quantity should be received by NALCO by 15<sup>th</sup> September 2019 and the revision in quantity, if agreed, shall be applicable from 1<sup>st</sup> October 2019 to 31<sup>st</sup> March 2020.
- iv) The corresponding monthly MOU quantity for the 2<sup>nd</sup> half of the year will get increased / decreased accordingly.

v) On revision of Annual MOU Quantity, the benefits associated with Annual MOU quantity will be with reference to the rate applicable to original Annual MOU signed quantity for 1<sup>st</sup> half and with reference to rate applicable to revised Annual MOU quantity for 2<sup>nd</sup> half of the year as per Graded MOU Reward table at 5(b)(II)(i).

12. Notwithstanding anything contained in the MOU, management may formulate separate scheme(s) for sale of the product in the best interest of the company depending on market condition.

13. Last date of signing MOU:

- (a) Customers desirous of signing annual MOU scheme should send their requests latest by **10<sup>th</sup> of May, 2019.**
- (b) Customers desirous of signing Nine Month MOU scheme should send their requests latest by **15<sup>th</sup> of June, 2019.**
- (c) Customers desirous of signing Six Month MOU scheme should send their requests latest by **5<sup>th</sup> of October, 2019.**

**DISCLAIMER:** This is a reward scheme for loyalty and consistency, benefit of which would accrue to you on successful performance as stipulated in the scheme. However, materials would be supplied subject to availability. NALCO reserve right to review the terms & conditions of the MOU, if required.

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

1<sup>st</sup> PART  
For.....  
  
By.....  
Designation:

2<sup>ND</sup> PART  
For, National Aluminium Co. Ltd.  
  
By.....  
Designation: