

Government of Odisha
Department of Steel & Mines

No. 6960 / SM, Bhubaneswar, dated the
VSL- 18/14

12.8.2016

From

Sri P.K.Mishra
Special Secretary & Director of Steel

To

The principal Secretary to Government,
Industries Department
The Chairman, OMC Ltd., Odisha, Bhubaneswar
The CMD, IPICOL, Odisha, Bhubaneswar
The Director of Mines, Odisha, Bhubaneswar
The MD, OMC Ltd., Odisha, Bhubaneswar

Sub:-Amendment to Long term Linkage of Iron, Chrome Ore and other minerals to the State Based eligible end-user Industries of Odisha through M/s Odisha Mining Corporation Ltd.

Sir,

I am directed to invite reference to the subject mentioned above and to enclose herewith a copy of the Long Term Linkage policy incorporating all amendments made thereto for favour of information and necessary action.

Yours faithfully

Special Secretary & Director of Steel

Memo No. 6961 /SM,

Date 12.8.2016

Copy along with copy of the Long Term Linkage Notification (consolidated amendments) forwarded to the DDM Head Quarters, PMU Cell, Directorate of Mines, Odisha, Bhubaneswar for information. He is requested to upload the same in the Departmental website.

Special Secretary & Director of Steel

Government of Odisha
Department of Steel & Mines

NOTIFICATION

No. 7009 /SM, dated the 17.09.2014
VSL-18/14

(As amended vide Notification dated 30.04.2015, 18.11.2015 and 10.08.2016)

Subject: **Long term Linkage of Iron, Chrome Ore and other minerals to the eligible state based end user industries (substituted vide notification No.156/15 dt.30.04.2015) through M/s Odisha Mining Corporation Ltd.**

Whereas, since more than 1/3rd of the iron ore reserve and over 90% of the country's chrome ore deposits among other minerals are found in the State, the proactive initiative of the State Government for Industrial Facilitation has attracted both the Domestic and Foreign Companies for setting up Mineral based industries in the State.

And whereas, in the process, out of the 49 nos. of MoUs signed by this Department with prospecting investors for iron and Steel Industries, already 31 nos. of units have either fully or partially started the production. Similarly, in case of Aluminum Projects, Government has signed MoU with few companies. These Industries having fulfilled their part of the commitment, are expecting the State Government to fulfill its part of the commitment especially with reference to making arrangement for meeting their requirement of raw materials.

And whereas, the State Government have taken many initiatives as depicted below for ensuing raw materials supply to such industries, the assured availability of raw material particularly iron, chrome ore and other minerals has become a matter of concern.

- (a) State Government vide notification dated 18.09.2012 have decided to reserve all the free areas bearing iron, manganese , chrome & bauxite ore for prospecting & mining through OMC Ltd.

- (b) Vide notification dated 03.10.2012, captive requirement has been taken as one of the conditions of mineral development to decide on second and subsequent renewal of mining leases.
- (c) As per order dated 05.12.2012 of the State Government, the mining leases are required to earmark and dispose of 50% of the raised iron ore not put to captive use, within the State for consumption by State based industries. Subsequently, pursuant to order dated 2.04.2014 of the Hon'ble High Court, Odisha passed in WP (C) No. 20774 /2013 and other similar writ petitions, upholding the said order dated 05.12.2012, the notification dated 26.06.2014 has been issued prescribing the mechanism for such supply. The implementation of 50% mineral produced to be supplied to State Based Industry is accordingly under process.

And whereas in spite of aforesaid measures, the supply and price of raw material has exhibited strong volatility thereby bringing in the apprehension of financial uncertainty and instability for the industries. Moreover, the issue of assured raw material through long term linkage has also been agitated by various industries not only before the State Government but also time and again during the reviews done by the Project Monitoring Group of Cabinet Secretariat on Infrastructure Development.

Hence, in view of above, the State Government has been pleased to approve the policy for long-term linkage for the State based industries through OMC Ltd. for sustained supply of raw materials over a period of five years extendable to further period(s) of five years each. And the guiding principle of such long-term linkage is as follows:-

(A) General Principle:

- (a) The long-term linkage should be for 5 years *with provision of annual review based on performance.* (Notification dated 30th April, 2015)

- (b) "Quantity to be assured under long-term linkage should be determined by a committee *constituted for the purpose by the Government*".
(Notification dated 18.11.2015)
- (c) While deciding the linkage quantity, *the authorized production capacity of the end users' own mines and the quantity of long term purchase agreements made by the end user with other lessees within the state shall be deducted from the requirement and balance requirement only may be committed under the Long Term Linkage* .(Notification dated 30.04.2015)
- (d) *In case the end-user industry is unable to produce the mineral in its own lease as per the 'authorized production capacity' due to reasons beyond its control, the committee may allow linkage of the shortfall quantity by OMC through annual supply agreement to such eligible State based end-user industry.* (Notification dated 10.08.2016)
- (e) *The Minerals remaining unsold by OMC after meeting the requirement of LTL and annual supply agreement buyers and the successful e-auction bidders may be disposed by the OMC in such manner and at such prices as may be decided by the Corporation, including export to overseas buyers directly or through canalizing agencies like MMTC Ltd.*
(Notification dated 10.08.2016)

(B) IRON ORE LINKAGE

- (a) *Not less than 50% and not more than 70% of saleable stock will be placed under Long-term linkage. Quantities offered but not lifted by the allottees may be disposed through the National e-auction. The exact percentage of saleable stock to be earmarked for long term linkage will be fixed by the OMC taking in to account its production and*

the demand from State based end-users.(Notification dated 30.04.2015)

- (b) The remaining saleable stock shall be sold through National e-Auction to be conducted by OMC at an suitable intervals i.e. monthly / bi-monthly/quarterly.
- (c) Weighted average price derived from the National e-Auction will be the long-term linkage price for the appropriate grades.
- (d) *"End-user Industries, (Notification dated 18.11.2015) public sector undertakings and smaller sized State-based end-user plants, which were not eligible for entering into MoU due to smaller size of the project, will be eligible for long-term linkage. These plants will also be eligible to participate in the national e-auction".*
- (e) Within the MoU-signed Steel Plants, Blast Furnace based integrated Steel Plants will be given priority over others.
- (f) MoU-signed Steel Plants which are already in operation will be given preference over MoU-signed plants which are yet to be commissioned.

"The Committee constituted under this notification will determine the manner in which priority or preference will be given effect to amongst various categories of end-users" (Notification dated 30.04.2015)

(C) CHROME ORE LINKAGE

- (a) 70% of the saleable stock shall be made available for long-term linkage to State-based end-users.
- (b) The remaining 30% of saleable stock shall be sold through National e-Auction.
- (c) Weighted average price derived from National e-Auction shall be the long-term linkage price for appropriate grades.

- (d) State-based end-user plants having long-term linkage can also take part in the National e-Auction.
- (e) OMC will ensure requirement of Chromite supply to all State based industries.

"The OMC will execute sale agreements with the long-term buyers, which should not be inconsistent to the provisions of this Notification." (Notification dated 18.11.2015)

By order of the Governor

Sd/-

Commissioner-cum-Secretary to Government

16/8

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PM Head quarters
PMY Cell, Directorate MINS