

**AGREEMENT¹ BETWEEN THE GOVERNMENT OF
INDIA AND THE GOVERNMENT OF THE UNION OF
SOVIET SOCIALIST REPUBLICS FOR THE
CONSTRUCTION OF IRON AND STEEL
WORKS AT VISAKHAPATNAM
Moscow, 12 June 1979**

The Government of INDIA

AND

The Government of the UNION OF SOVIET SOCIALIST REPUBLICS,

PROCEEDING from the relations of friendship and close cooperation existing between the two countries,

GUIDED by the provisions of the Agreement² of November 29, 1973 on further development of economic and trade co-operation between the USSR and the Republic of India, the Indo-Soviet Agreement on Economic and Technical Co-operation of April 27, 1977 and the Long-term Programme of Economic, Trade, Scientific and Technical Cooperation between the Union of Soviet Socialist Republics and the Republic of India of March 14, 1979, and

DESIRING to further strengthen and develop the economic and technical co-operation,

HAVE agreed as follows :

Article 1

The Government of India and the Government of the Union of Soviet Socialist Republics will cooperate in the designing and construction within six years beginning from the year 1980 of an Iron and Steel Works at Visakhapatnam with an annual capacity of steel of about 3 million tonnes of which a capacity of about 1.2 million tonnes will be completed as a first stage in four years from the date

1. Came into force on 12 June 1979.

2. IBTA Vol. 7 Doc. No. 498.

of actual commencement of construction.

Article 2

For the purpose of implementation of the cooperation mentioned in Article 1 of the present Agreement, Soviet Organisation shall :

- (i) Furnish to Indian Organisations relevant data for revising the Detailed Project Report to be referred to hereinafter as the "DPR" of the Units agreed upon to be revised by the Indian Design Organisations within three months from the date of receipt of Letter of Guarantee from the Indian Organisation.
- (ii) Prepare and hand over to the Indian Organisations the revised DPR pertaining to the main production shops as per Annexure I to the present Agreement, within nine months after the receipt of Guarantee Letter from the Indian Organisations.

The DPR shall be revised according to the Technical Assignment Document for Revision of the DPR, as approved and issued by the Indian Organisation.

- (iii) Participate in the preparation of estimates and economics of the DPR and concur in the general lay-out of the Steel Plant. The final comprehensive revised DPR shall be carried out in India jointly by the Soviet and Indian Organisations within two months of the receipt of revised DPR from the Soviet Organisation.
- (iv) Prepare the working drawings for the construction of the works within the scope and time to be determined by the Soviet and Indian Organisations.
- (v) Prepare jointly with Indian Organisations preliminary drawings for execution of the work on vertical levelling of the construction site within five months of the receipt of guarantee letter from the Indian Organisation.
- (vi) Supply equipment, machinery and materials in accordance with the Division List and within time frame as may be agreed upon between the organisations of both parties so as to execute the project within the time-schedule indicated in Article I.
- (vii) Render assistance to the Indian Organisations in the construction of the Plant by carrying out the designers' supervision and by providing advisory services during construction as well as in the erection, adjustment, testing and commissioning of the equipment supplied by the Soviet Organisations.

Soviet specialists shall be deputed to India, in numbers and specialities and for the periods, on terms and conditions to be agreed upon between the Organisations of both parties, taking

into account the provisions of the letter of April 11, 1979 exchanged between the two sides in so far as they relate to Bokaro and Bhilai Steel Plants.

- (viii) Recommend to the Indian Organisations schemes and programmes of training of Indian nationals in the USSR and in India with the view to training engineers, technicians and skilled workers required for the operation of the said works.
- (ix) Depute Soviet specialists to India in numbers and for periods to be agreed upon with the Indian Organisations for rendering assistance in the training of engineers, technicians and skilled workers in India for the operation of the works.
- (x) Receive in the USSR Indian engineers, technicians and skilled workers in numbers, specialities and for periods to be agreed upon between the Organisations of both the parties for plant training at the appropriate enterprises in the Soviet Union.

Article 3

For the purpose of implementation of the cooperation mentioned in Article 1 of the present Agreement, the Indian Organisations shall :

- (i) Furnish to the Soviet Organisations all the outstanding initial data required for the designing of the works on the site selected by the Indian party within fifteen days of signing of the present Agreement.
- (ii) Ensure completion of the comprehensive revised DPR of the Works as a whole within two months of the receipt from Soviet Organisations of their portion of the revised DPR as envisaged in Article 2 (ii) of this Agreement.
- (iii) Consider the revised comprehensive DPR of the works within two months from the date of its submission and approve it with such modifications, as may be agreed upon between the Indian and Soviet Organisations.
- (iv) Prepare working drawings for the construction of the works within scope and time to be determined by the Soviet and Indian Organisations as per the Division List to be finalised within two months of the acceptance of the revised comprehensive DPR. They shall also undertake working drawings for the facilities located outside the plant perimeter.

The initial data for the facilities to be undertaken by the Indian Design Organisations shall be prepared by means of mutual consultations between the Soviet and Indian Organisations to the extent necessary. For these purposes, the Soviet Organisations,

at the request of the Indian Organisations, shall depute Soviet specialists to India as may be agreed upon by the Organisations of the two parties.

- (v) Be responsible for the conformity of the working drawings of such units prepared by the Indian Design Organisations to the requirements of the comprehensive revised DPR.
- (vi) Execute all the construction and erection works necessary and provide all facilities and services for such construction and erection.
- (vii) Purchase in third countries such equipment and materials according to specifications and quantities agreed upon between the Soviet and Indian Organisations as are not manufactured in India and cannot be supplied by the Soviet Organisations within the time-schedule envisaged by Article 1.
- (viii) Purchase licences for technological processes and equipment wherever necessary. The Soviet Organisations shall inform the Indian Organisations in good time of such instances.

Article 4

The Indian and Soviet Parties shall promote maximum possible participation of the Indian Organisations in carrying out the design work and in the supply of equipment and materials for the construction of the works.

Article 5

For the purpose of establishing direct contact with the Administration of the Works under construction and for prompt and effective solution of all the problems which may arise, the Soviet Organisations shall set up an Organisation representing Soviet suppliers in the construction area of the works.

Article 6

The Soviet Organisations shall, at the request of the Indian Government, render assistance to the Indian Organisations in attaining the designed capacities and operation of the said Iron Steel Works by deputing Soviet specialists and delivering spare parts on terms and conditions to be mutually agreed upon between the two parties.

Article 7

The expenses borne by the Soviet Organisations in connection with cooperation in the construction of Iron and Steel Works provided

for in Article 1 hereof shall be repaid by the Indian Side on account of and on the terms and conditions of the credit of the amount of upto 250 million roubles specified in the Soviet-Indian Agreement of Economic and Technical Cooperation of April 27, 1977, mainly for the first stage of the Project.

The two sides agreed that the Soviet side will consider extension of an additional credit to the Indian side for the cooperation in the construction of the second stage of the Project after the approval of the Detailed Project Report and after the division of the obligations of the two sides taking into account the maximum loading of production capacities of the Indian enterprises manufacturing equipment, delivering materials and rendering other services in conformity with the construction schedule.

Article 8

The Soviet Organisation shall guarantee that :

- (i) The equipment delivered by the Soviet Organisations shall be in conformity with the comprehensive revised Detailed Project Report.
- (ii) The performance of the equipment supplied by the Soviet Organisations shall be in accordance with their stated capacities. The periods of the guarantee, the manner of their fulfilment and other conditions shall be provided in the contracts to be concluded pursuant to the present Agreement.

Article 9

The Soviet and Indian Design Organisations shall ensure that the integrated steel plant shall be able to attain the rated capacity as per the comprehensive revised DPR provided that the Indian Organisation while operating the plant shall provide all the essential inputs as per the above said DPR.

Article 10

The conditions of fulfilment of the commitments of said Soviet Organisations under the present Agreement shall be determined in the corresponding contracts to be concluded between the Indian and Soviet Organisations.

The Soviet Organisations shall furnish to the Indian Organisations, within one month of the signing of the present Agreement, draft contracts on the execution of design work, taking into account the agreed Division List.

The Soviet Organisations shall submit to the Indian Organisations

within two months from the date of approval by the Indian Organisations of a comprehensive Detailed Project Report of the plant and finalisation of Division List on supplies, draft contracts for supplies of equipment, materials and rendering all other items of technical assistance, taking into account the agreed time limits set for the construction of the Plant.

The contracts shall be concluded within three months from the date of submission of the corresponding offers by the Soviet Organisations.

In carrying out the designing work, the deliveries of equipment and in the implementation of other areas of technical co-operation for which the Soviet party is responsible, the Soviet Organisations may cooperate with the corresponding organisations of third countries. In case, however, the need arises for deputing specialists to India from the said third countries, the Soviet Organisations shall obtain prior consent of the Indian party thereto.

Article 11

The Indian and Soviet Organisations shall exchange all the information and render assistance which may reasonably be required by either party in relation to the present Agreement and shall, in particular, furnish each other with progress reports and other information as may be required in regard to the programme of work for the construction of the Iron and Steel Works mentioned in Article 1 of the present Agreement and other matters concerned therewith.

Article 12

The Government of India and the Government of the USSR shall in shortest possible time, after signing the present Agreement, inform each other of the corresponding Indian and the Soviet Organisations to be authorised for the implementation of the present Agreement. It is hereby understood that the said Government may authorise one or more organisations.

Should it be found necessary subsequently to substitute the organisations authorised for the implementation of the present Agreement, such substitution shall be deemed possible.

The Government of India and the Government of the Union of Soviet Socialist Republics reserves the right to transfer any or all rights and liabilities arising out of the present Agreement to such Indian and Soviet Organisations as the respective Governments may consider necessary.

Article 13

In case the performance of the present Agreement is suspended for a certain period of time as a result of war, hostilities, embargo, blockades or any other contingency beyond the control of either party, the representatives of the Government of India and the Government of the Union of Soviet Socialist Republics shall immediately consult with each other and come to an agreement with regard to the measures to be taken and if such agreement cannot be reached within a reasonable period of time, the Indian Organisations may complete the designing and construction of the aforesaid works in the manner in which it may be considered necessary but even in this case, the rights and liabilities of the parties arising from the present Agreement prior to that moment shall remain in force.

Article 14

In case of any disagreement between the Indian and Soviet Organisations on any matters arising from or connected with the implementation of the present Agreement, the representatives of the Government of India and the Government of the U.S.S.R. shall immediately consult with each other and endeavour to reach a settlement of such disagreement.

Article 15

The present Agreement shall come into force on the date of its signing.

DONE on this 12th day of June 1979 in Moscow on two original copies each in the Hindi, Russian and English languages, the texts in Hindi and Russian being equally authentic and the English text being the operative one.

Sd/-

On behalf of the
Government of India

Sd/-

On behalf of the Government
of the Union of Soviet
Socialist Republics (USSR)

ANNEXURE I*THE LIST*

The list of main production shops of the Vizaq Iron and Steel Works (DPR to be drawn up by the Soviet Organisations)

1. Coke-ovens and by-product plant with 7 meter high ovens of 41.6 cubic metres volume each.
 2. Sintering Plant with 312 mall 2 strands.
 3. Blast Furnace Shop with 3200 cu.m furnaces.
 4. Steel Melting Shop with 130 t. capacity L.D. converters with matching continuous casting machines for blooms and billets.
 5. Hot rolling mills for producing high and medium merchant products, structurals, flange beams and wire rods, including:
 - Light and medium merchant mill "300";
 - Medium merchant and structural mill "500/900";
 - Wire rod mill "250"
 - Universal Beam Mill "750/1200".
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