

TERMS & CONDITIONS FOR DISTRIBUTORSHIP & PROCESS

1) ELIGIBILITY CRITERIA

The applicant should have good reputation and experience of marketing of consumer goods with capacity of effecting supplies to Retailers/Mini Retailers&Consumers at their doorstep in his area and should have eligibility to enter into contract as per Law.

2)FINANCIAL BACKGROUND

The applicant should be financially sound with capacity to invest the amount required for the business in Fixed Assets and Working capital. The details of investment & projected profitability are annexed with this Terms & Conditions.

3) INFRASTRUCTURE

i) Office on approach road with requisite infrastructure like computers, telephone, internet E-mail etc. having, sufficient space to accommodate 2-3 staff members and 3-4 visitors with provision for display of Company's signboard on front of size 8' x 3' &godown duly approved from Explosive Deptt.

ii) Commercial Four wheeler LMV Vehicle either owned or on contract.

iii) Personal conveyance

iv) Land Requirement for Construction of LPG Godown& License from Explosive Deptt.:

(a) Minimum 500 Sq .Mtr. for upto 4000 Kg
Minimum 1000 Sq. Mtr. for upto 8000 Kg

(b) The location should not be nearby any railway line/high density traffic/highly populated area, crowded bazaar/roads etc.

(c) The land should be in level and free from litigation / mortgage/ encumbrancesetc.

(d) There should be no underground trench, live or dead electrical cable lines, drainage line, water pipe line, waste water drainage, overhead electrical cables, high tension wires or telephone cables or any other obstruction for particular location.

(e) The Distributor has to get approval of godown from Zonal office of the Explosive Deptt. of his area. The company will advice free of cost or can help to provide consultant for the same.

(f) A board has to be displayed showing the name of the Distributor and Company.

4) SECURITY DEPOSIT

The Distributor will provide Security Deposit of Rs.1,00,000/- (Rupees One lacs only) to perform the terms of the agreement properly. The Distributor can deposit the security amount by DD / RTGS with the company, and the company will pay simple interest @ Rs. 5% per annum at the time of maturity of agreement &will use the amount as per its requirement.

5) **TERMS OF APPOINTMENT**

Appointment for Distributorship will be for a period of three years with the provision for further renewal by mutual consent. The renewal of Distributorship will be at the sole discretion of the company. The Company will have a right to terminate the Distributorship earlier if violation of any of the contractual terms is brought to its notice and in that case his security will be forfeited.

6) **JURISDICTION/AREA/ QUANTAM OF BUSINESS**

The Distributor will be appointed for one Distt. or for an area prescribed by the Company with mutual consent of the applicant. The Distributor will be allowed 20,000 domestic connections in his area directly or through Customer Representative, Retailers, Mini Retailer those will be appointed on the recommendation of the Distributor in his area on the terms prescribed by the company. There will be no limit of commercial/Industrial connection/supplies. However, the Company can appoint other Distributor in the area if Distributor cannot cover the total area properly. As per company policy, there is no restriction for any Distributor/Dealer/Retailer/Agents/Company for supply of the product for commercial/industrial purposes anywhere, and in that case, Distributor of the area will have no claim of any margin/remuneration.

7) **STATUTORY PROVISION**

Company has complied with mandatory requirements required for LPG business as per Govt. Gazette notification dated 24 May, 2000. However, The Distributor shall comply with applicable statutory requirements i.e. Shop Establishment, Registration of GST and Insurance of the Stock in trade etc.. The copies of following documents will be provided by the company for display at his shop:-

- Distributorship Certificate;
- Gazette Notification issued by Govt. of India allowing LPG Business for parallel marketeer;
- Valid Rating Certificate issued by ICRA to the Company as per provision in the Act. by G.O.I;
- Valid licenses of plants of Company from Chief Controller of Explosive, Nagpur.

An agreement on stamp paper of Rs.100/- (Rupees one hundred only) containing all terms & conditions in details will be executed for Distributorship with the company by the applicant. The applicant can study the copy of Agreement available in the company's office in advance, or can get extra copy on payment of Rs.500/- (Rupees five hundred only). Copy of Agreement & other documents after execution of Agreement will be given to Distributor free of cost.

8) **RATES**

The rate of LPG will be changed as per International market every month. The circular will be issued by the Company on 1st day of each calendar month on its website. The other items will also be sold as per rates fixed by the Company from time to time. Changes, if any, in rates will be communicated by the Company in advance. Issue of circular at the address or email given by the Distributor will be sufficient to implement the rates of supply. The rates will be charged as applicable on the date of supply from plants. The rate list of security of cylinder/new connection will be issued from time to time. The current rate list of LPG & New connection enclosed.

9) PROCUREMENT

The Distributor will place order at Company's office along with D.D. or transfer of amount by RTGS in the Company's account after deducting his Margin on the prevailing rates on material indent. The first order will be for minimum quantity of 130 New Connections. Further order shall befor minimum of 125 Nos. either new connection of any size and/or refills. The cylinders will be supplied against Security Deposit. The Distributor will further charge the Security Deposit from Consumer of the amount charged by the company. Distributor can also lift the cylinders against Bank Guarantee for commercial/industrial purpose if provided by the Distributor to the user at its own cost as well as stock cylinder in godown. The Company will charge rent for the cylinder every month in advance in accordance with the terms of Bank Guarantee enclosed.

Supply of LPG and other items, will be made from Company's Plant/Godown within 3 days .The Company will deliver the connections/refill and collect empties from the Distributor's Godown after construction of godown. The Distributor can use his own vehicle also to transport supply from plant /Godown of the Company to earn extra income. Any order less than the minimum quantity will be supplied at Distributor's cost.

DOMESTIC REFILL

The Distributor can lift domestic refill @5% GST for its consumers. Maximum 2 refill for big cylinders& 6 refill for Mini cylinders will be allowed to Distributor against the connection issued by him in his area.

10) SUPPLY

i) Distributor will make arrangements for delivery of cylinders to the Retailer/Mini Retailer/ Consumers at their places. The cylinders will be supplied against Security Deposit of the amount charged by the company. The Security Voucher having the terms printed overleaf will be issued by the Distributor after fixing his stamp to consumer from the Security Voucher Book issued by the company.

ii) SUPPLY UNDER INTERIM ARRANGEMENT

After submission of Drawingsto Zonal office of the Explosive Deptt., For Godown approval, the Distributor can start the supply under interim arrangement till Godown license is received. The scheme for supply Under Interim Arrangement enclosed.

11) MAINTENANCE OF STOCK

The Distributor must always hold a minimum stock of 3 days' supply and 20 new connections (cylinder + regulator + pipe) or as per requirement in the area up to the satisfaction of the Company subject to the maximum capacity of the Godown.

12) INCOME ON INVESTMENT

For margin on new connection and refill, refer Rate List of product and Statement of Investment & Return/Projected Profitability enclosed.

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13) SUPPORT FROM COMPANY

Company will support the Distributor in following manners:-

- i) Training to Sales Representative, Accountant, Clerk and any other staff to be appointed by the Distributor free of cost at Business Associates/Company's office.
- ii) Provide office/printed stationery at reasonable rates if desired by the Distributor.
- iii) 50% share of the salary/expenses/incentive of business consultant, freelancer, liasioning assistant and surveyor engaged on the terms laid down by the company to establish and develop his business as well as for publicity in his area.
- iv) Allow Distributor to recommend Dealer, Retailer, Mini Retailer and Customer Representative in his area on the terms and conditions framed by the company to boost his sale.
- v) Loan to consumer for connection @ Rs. 1000/- only on submission of documents mentioned in the consumer loan scheme.
- vi) Allow Distributor to search the industries for providing gas bank in any area at very reasonable terms against the commission in erection and refill.
- vii) Provide cylinders in commercial and industrial uses against 50% security for providing cylinders free in commercial/Industrial units.
- viii) Support in arranging funds from The Banks/financial institutions against collateral for construction of godown, purchase of cylinder and vehicle for loading unloading & working capital.

14) SURRENDER OF DISTRIBUTORSHIP

Either party shall give at least 3 months notice in writing in case it wants to dissolve the agreement before maturity but not before the period of one year from the date of Agreement. The notice to be given to either party shall be deemed to have been served if sent by registered post at the address entered in this agreement or the changed address duly communicated. In case of notice prematurity, no interest on security deposit will be given. However, security will be refunded without any deductions.

15) PUBLICITY

- a) Initially, publicity material as per list enclosed will be supplied by the Company to the Distributor along with first order at concessional rates against the payment as publicity expenses. Indent for further requirement should be made by the Distributor to the Company with payment. For details refer to our guidelines for publicity in his area.
- b) The Distributor can arrange further local publicity including Cable TV after obtaining approval from the Company. The Company will reimburse 50% of the expenditure on such

advertisement done by the Distributor. The approval should be obtained from the Head office of the Company in writing.

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c) The Company will also provide maximum support in organizing Road Show, Public Campaign and Exhibition in his areas. The Distributor has to lift the sufficient quantity of material as prescribed by the company to meet the demand of consumer during Campaign/Exhibition in his area.

d) National & Zonal level publicity, e.g. National Newspaper, T.V., Hoardings on Highways etc. will be arranged by the company as and when company felt the need of it.

However, the Distributor cannot compel the company for any type of publicity except for the payment made by him. Even, the Distributor at his own cost cannot make any publicity without permission of the company.

16) SUBMISSION OF REPORT/RETURNS

The Distributor will have to submit periodical Statements/Reports required by the Company from time to time.

17) ARBITRATION CLAUSE

In case, any differences or dispute arises between the parties, it will be referred to the Sole Arbitrator to be appointed by Managing Director of the Company. The arbitration proceedings shall be governed by the provisions of Arbitration and Conciliation Act as applicable at the prevailing time. Language of the proceedings shall be in English and venue for arbitration shall be in Delhi. The decision of the Arbitrator will be binding on both the parties. Courts of Delhi only shall have jurisdiction to adjudicate upon the findings of Sole Arbitrator.

18) MISCELLANEOUS PROVISIONS

- The acceptance or rejection of the application is at the sole discretion of the Company. After rejection, no correspondence will be entertained in this regard.
- The Company reserves the right to change, amend, add or delete any/all clauses at any time without prior notice.
- All disputes are subject to jurisdiction of Delhi courts only.

Duplicate copy of these terms and conditions along with enclosures, duly signed in token of acknowledgement and acceptance of the Distributorship may be submitted to the Company with the application form.

Place:

Signature _____
(Authorized Signatory)

Date:Name _____

Address _____

PROCESS FOR DISTIBUTORSHIP

1. The person should study the terms & conditions including projected profitability & list of documents to be submitted with Application form carefully. If some query comes in mind, without hesitating, he should enquire from company on phone or if possible by personal visit. Thereafter he should survey the market to judge the demand & rates prevailing in the market. Presently, the company offers to sell LPG for commercial and industrial purposes at the rates of PSU's company charged for commercial & industrial use in the area which includes 18% GST. The refill for domestic use will be provided as per price list of the company on 5% GST. The rates are changed every month as per international market.
2. After getting all details, he should assess demand, his own capability and investment available with him to select the cadre of association & should fill up Application form completing all columns and submit to the company with processing fee of Rs.1100/- (Rupees One thousand one hundred only) only. He should keep one copy of Application form & documents with him for his record.
3. On receipt of Application form from interested party, company will securitize the documents and call the party for meeting with management of company for discussions. If management finds suitability of the person, the company will issue L.O.I. (Letter of Indent) to the party. The Distributor further will process as per terms stated in LOI.
4. Mere submission of application does not entitle the applicant for Distributorship. After submission of application, applicant cannot claim the Distributorship as a matter of right. The decision of the Company in respect of suitability of Land, applicant person/firm shall be at the sole discretion of Company and binding upon the applicant. No correspondence will be entertained in this regard.

Signature of Applicant

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Statement of Investment & Return/ Projected profitability of Distributorship

In this statement, to sum up average, the investment on 15/12/4 kg. Cylinders under Interim Arrangement and rates of LPG for the month of January 2018 have been considered (Refer Customer Price List). Profitability on refill has been calculated on 15 kg. Cylinder. After construction of godown, the supply up to Distributors godown will be given by the company and accordingly margin on sale will be reduced because the company has offered margin extra on account of promotion of business initially and cartage of cylinder from plant under Interim Arrangement. The 1st order will be delivered @18% GST considering commercial rates but Distributor can supply @5% GST to domestic user and in next order he can include the quantity of domestic cylinder @ 5% GST as per policy of the company. i.e. 2 refill per month against one connection issued for domestic use. The initial investment will be Rs.5.00 Lac as mentioned below but Distributor should keep Rs.5.00 Lac for providing cylinder for commercial use free of charge to boost his sale. Our target should be to enroll the customers to sell maximum refills.

SECURITY DEPOSIT

Rs. 1,00,000 /- (Rupees one lac only) : It will earn 5% simple interest P.A.
by RTGS/DD (Amount refundable) which is payable on maturity.

Under Interim Arrangement

<u>Investment on 1st order</u>										<u>Profit on Premier connection</u>				
Size	Security	Regulator	Pipe	Gas	D.Ch.	Each	Qty.	Amount		<u>Regular</u>	<u>Mini</u>	<u>Comm</u>		
15kg.	1500	150	150	980	100	= 2880	X 100	= 2,88,000	Doc. charges	: Rs. 300	200	100		
12kg.	1200	200	150	778	100	= 2428	X 20	= 48,560	Regulator	: Rs. 50	50	50		
4kg.	700	200	150	259	000	= 1309	X 10	= <u>13,090</u>	Pipe	: Rs. 40	40	00		
								1. 130 connections	: Rs.	3,49,650/-	Gas	: <u>Rs. 90</u>	<u>28</u>	<u>90</u>
								2. Publicity Expenses	: Rs.	<u>55,000/-</u>				
									Rs.	4,04,650/-				
								Security Deposit		<u>1,00,000/-</u>				
								Total		5,04,650/-				
								Say Rs.		5,00,000/-				
										Rs. 480	318	240		

A. Operational Expenses Under Interim Arrangement

A Office

<u>S. No.</u>	<u>Designation</u>	<u>Nos.</u>	<u>Each</u>	<u>Monthly</u>	<u>Yearly</u>
1	Receptionist/Computer Operator	1	10000	10000	1,20,000
2	Sales Executive	1	10000	10000	1,20,000
3	Office Boy	1	7000	7000	84,000
4	Conveyance			6000	72,000
5	Phone/Internet			2000	24,000

6	Electricity+water	3000	36,000	
7	Misc/Refreshment	3000	36,000	
8	Insurance (Public Liability/ Godown/Cash Transit)		15,000	
9	Professional charges	:8:	25,000	
10	Discount on Commercial Refills 50x50 = 2500	75,000	9, 00,000	14,32,000/-

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B. Local Transportation Expenses of Tempo (Four wheeler)

	<u>Nos.</u>	<u>Each</u>	<u>Monthly</u>	<u>Yearly</u>	
1	Driver	1	12000	1,44,000	
2	Diesel 25.0 Ltr. @ Rs.63/- 250km. average 10km. p. ltr		47250	5,67,000	
3	Helper	1	8000	96,000	
4	Installment of Four Wheeler		20800	2,49,600	
5	Police Challan etc.		3000	36,000	
6	Repair/Maintenance/Service		5000	60,000	
7	Permit			24,000	
8	Insurance			36,000	12,12,600/-
	Operational Expenses :			c/o 1 st page	14,32,000/-
	Total Expenses (A+B):				26,44,600/-

1st year Projection for profit

A. Margin on sale of connections

	<u>Direct Connections</u>					<u>Through other Customer Representative(2)</u>			
	<u>Monthly</u>	<u>Yearly</u>	<u>Margin</u> (Each)	<u>Total</u> <u>Amount</u>		<u>Monthly</u>	<u>Yearly</u>	<u>Margin</u> (Each)	<u>Total</u> <u>Amount</u>
Domestic	05	60	480	28800	Domestic	10	120	170	20400
Mini Cylinder	05	60	318	19080	Mini Cylinder	10	120	148	17760
Commercial		300	240	<u>72000</u>	Commercial		300	50	<u>15000</u>
					Total				1,73,040/-

B. Margin on sale of Refill

<u>Refill Margin</u>	<u>Nos.</u>	<u>Each</u>	<u>Daily</u>	<u>Monthly</u>	<u>Yearly</u>
1 st month	10	90.00	900	27,000	
2 nd month	20	90.00	1800	54,000	
3 rd month	30	90.00	2700	81,000	
4 th month	50	90.00	4500	1, 35,000	
5 th month	70	90.00	6300	1, 89,000	
6 th month	100	90.00	9000	2, 70,000	
Onward			1, 35,000 x 6 =	16, 20,000	
Income on sale of refill					23, 76,000
Refill margin of Customer Representative (Refer CR Projection) x 2					9, 00,000

Income on sale of connection		1, 73,040
Total Income		34, 49,040
Operational Expenses		26, 44,600
	Yearly Net Income	: 8, 04,440
Monthly Net Income	: 67,036	

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Investment on Construction of Godown after Approval

Investment

1. Investment on construction of godown : Rs. 5, 00, 000 /-
 2. Issue of license from Explosive Deptt. : Rs. 50, 000 /-
 3. Investment on 300 Cylinders @Rs.1600 : Rs. 8, 03, 184 /-
 4. Publicity Expenses : Rs. 5,000 /-
- Rs. 13, 58,184 /-

Godown Expenses

<u>Designation</u>	<u>Nos.</u>	<u>Each</u>	<u>Monthly</u>	<u>Yearly</u>
1. Security Guard	2	16000	16000	2,40,000
2. Sales Clerk	1	8000	8000	<u>96,000</u>
			Total	3,36,000

Operational Expenses:

Office: 14, 32,000 X 2	:	28, 64,000
Godown Expenses	:	3, 36,000
Local Transport	:	<u>12,12,600</u>
Total	:	<u>44,12,600</u>

Regular Income On Full Operation

	<u>Nos.</u>	<u>Each</u>	<u>Daily</u>	<u>Monthly</u>	<u>Yearly</u>
Refill Margin @ Rs.64.00/-Per Refill (Self)	500	64.00	32,000	9, 60,000	1,15, 20,000/-
Refill Margin @ Rs.16.00/-Per Refill (Retailer)	100	16.00	1600	48,000	<u>5, 76,000/-</u>
					1, 20, 96,000/-
				Expenses	: 44, 12,600/-
				Yearly Net Income	: 76, 83,400/-
				Monthly Net Income	: 6, 40,283/-

Distributor will/can also earn extra income on Sale of

- i) Connections after Ist year
- ii) Material supplied to Mini Retailer
- iii) Refill of 12kg and 4kg cylinders
- iv) Mini Cylinder Attachments
- v) Gas Stove
- vi) Gas product/Geyser/Generator etc