



1<sup>st</sup> December, 2008

**Sub: Revised Policy guidelines for Reconstitution RO Dealerships/LPG Distributorships/SKO-LDO dealerships**

- 1 MOP&NG vide their letter no. P-19011/5/2005-IOC dated 16.10.2008 advised the broad guidelines on reconstitution of RO dealerships/LPG Distributorships/SKO-LDO dealerships.

These guidelines are in supersession of all earlier guidelines on Reconstitution. Based on the same, the following Policy guidelines are issued for implementation **w.e.f. 1.12.2008.**

**2 Reconstitution at Letter of Intent (LOI) stage**

No reconstitution of dealership/ distributorship will be allowed at LOI stage, irrespective of categories of such dealership except under the following conditions:

- 2.1** In the event of death or incapacitation due to serious illness/ accident resulting in total and permanent disability (which will disable the LOI holder to work or follow any occupation or profession), reconstitution at LOI stage may be considered subject to eligibility of legal heir as under :

**2.2 Where substantial investment towards commissioning of dealerships/ distributorships has been made by the LOI holder:**

- (i) LOI may be transferred to the legal heir of the deceased/ incapacitated LOI holder.
- (ii) In case of partnership, reconstitution may be allowed with the legal heir of the deceased/ incapacitated original partner.
- (iii) The legal heir will have to fulfill multiple dealership norms and other eligibility criteria, as applicable for Dealer Selection under Open category (and should submit relevant and suitable caste certificate for SC/ST, wherever applicable), prevailing at the time of selection of LOI holder, except age and educational qualification.
- (iv) The minimum age requirement for the legal heir will be 18 years. If the legal heir is a minor, the local guardian shall operate the dealership till the legal heir becomes a major.
- (v) There will not be any minimum educational qualification criteria. However, the candidate must be able to read, write and count.

**2.3 Where substantial investment towards commissioning of dealerships/distributorships has not been made :**

- (i) In case of allotment to individual, the candidature of the legal heir will be evaluated vis-à-vis that of the next empanelled candidate as per the prescribed evaluation criteria prevailing at the time of selection of the original LOI holder.

- (ii) In case of allotment to partnership, the candidature of the new partnership formed by the surviving partner(s) with the legal heir of the deceased/ incapacitated partner will be evaluated vis-à-vis that of the next empanelled candidate as per the prescribed evaluation criteria prevailing at the time of selection of the original LOI holder
- (iii) In all cases, the legal heir will have to fulfill multiple dealership norms and other eligibility criteria, as applicable for Dealer Selection under Open category and should submit relevant and suitable caste certificate for SC/ST, wherever applicable.
- (iv) Cases under Corpus Fund category will also be covered by this provision.
- (v) In such cases, in order to give a fair opportunity to other empanelled candidates and the legal heir of the deceased/ disabled LOI holder, the legal heir will be interviewed and evaluated by Selection Committee as per Dealer Selection guidelines. On the basis of the marks awarded as above and the earlier marks sheet of the balance applicants, fresh merit list will be prepared and with the approval of competent authority, fresh LOI will be issued after cancellation of earlier LOI.

**2.4 Induction of minority partner in SC/ST dealership in cases where land is required by the Corporation for development of Retail Outlet**

Where RO dealerships have been allotted under SC/ST category, induction of minority partner from the same category will be allowed only in cases where land is required by the Corporation for development of Retail Outlet. The incoming partner shall meet all the following conditions:

- (i) To bring in the suitable land for setting up of subject RO
- (ii) Should be the owner of the land with clear title in his / her name and in physical possession of the subject land.
- (iii) In case land is jointly held by him/ her with other family members then he/she shall have to submit the "No Objection Certificate" from all the joint holders of the land. Family for this purpose is defined as consisting of father, mother, spouse, son(s) and daughter(s) and
- (iv) Should be agreeable to lease/ sell the land to the concerned OMC.

Following steps will be taken in such cases:

- (i) Based on request from LOI holder and application for dealership from proposed incoming partner for dealership, the application will be scrutinized to confirm the eligibility of incoming partner for the dealership as per prevailing dealer selection criteria like age, education, multiple dealership norms, caste certificate etc. Being SC/ST location, evaluation under head "capability to arrange finance" will not be required.
- (ii) The land will be evaluated by the designated committee as per dealer selection policy.
- (iii) If land is found suitable, the negotiation should be conducted as per prevailing policy for procurement of land.
- (iv) After successful negotiations, the incoming partner will be interviewed by the committee. The purpose of interview will be to establish the suitability of the candidate with respect to eligibility criteria for the subject dealership. No separate document based evaluation or interview based evaluation will be required in such cases.

2.5 After approvals, a letter confirming IOC's acceptance of offer for land at the negotiated terms should be issued to the incoming partner with a copy to existing LOI holder. After procurement of land by way of lease or outright sale, revised LOI will be issued.

## 2.6 **General conditions:**

- (i) Substantial investment would be defined as under for uniform understanding:  
“The minimum qualifying consideration of Substantial investment would be that the LOI holder has arranged a suitable land for setting up of a Retail Outlet/ LPG Godown and carried out land development work including compound wall/ fencing.”
- (ii) The request for reconstitution on account of total and permanent disability will be considered based on submission of certificate to this effect from Chief Medical Officer of Govt. hospital of the District. Alternatively, the recommendations of Medical Board recognized by the Govt. can also be considered.
- (iii) Wherever decision for transfer of LOI is based on the result of evaluation of proposed incoming partner, evaluation by L-I committee as per prevailing norms (at the time of selection of original LOI holder) will be carried out before interview.
- (iv) The transfer of LOI should be done within six months from the date of occurrence of vacancy due to death/ incapacitation.

## **3 Reconstitution of Commissioned dealerships/ distributorships**

- 3.1 Re-constitution will be permitted for induction of minority partner(s) only after five years of commissioning of dealership/distributorship.
- 3.2 Subsequent re-constitution shall be considered only after five years from the date of the last re-constitution.
- 3.3 Partner(s) can resign from the dealership/distributorship after 10 years of holding dealership/distributorship. In the event of resignation by a partner(s), the remaining partner(s) put together shall hold the controlling stake i.e. at least 51% shares in the dealership/distributorship.
- 3.4 In cases of death of the sole dealer/distributor, reconstitution may be made in favour of the legal heir. However, if there is no legal heir(s) or legal heir(s) has expressed unwillingness, the dealership/ distributorship shall be terminated.
- 3.5 In cases of death of one of the partner(s), the partnership shall be reconstituted with the legal heir(s) of the deceased partner(s) and surviving partner(s). However, if there is no legal heir(s) or the legal heir(s) has expressed unwillingness, the dealerships/distributorship shall be reconstituted with the surviving partner(s).
- 3.6 In case of incapacitation due to serious illness/ accident of the dealer/distributor, whether sole or partner, resulting in total and permanent disability, which will disable him/ her to work or follow any occupation or profession, a minority partner may be inducted.
- 3.7 The restriction of time period of 5 years as mentioned in 3.1 above will not be applicable in the following cases :
  - (i) Need for re-constitution on account of death/ incapacitation of the proprietor/ partner.
  - (ii) In Sole proprietorships if the proprietor is above the age of 60 years or is a widow of Defence personnel.
- 3.8 The disposal of request for reconstitution of commissioned dealership / distributorship will be handled as per procedure / guidelines given in Para 6.

## **4 Induction of outside category partner in SC/ST dealership / distributorship**

- 4.1 For dealerships/ distributorships belonging to SC/ST category, depending upon the requirement of the finance/ expertise in order to meet the Competition/ growth, the dealer / distributor may require to induct a minority partner from outside his category. In such cases, the SC/ST dealer / distributor may induct a minority partner(s) from outside his category. However at any point of time i.e before or after re-constitution, the shareholding of persons belonging to the

category under which the subject dealership/ distributorship was allotted should be at least 75% of the total shares. If non SC/ST spouse of SC/ST dealer/ distributor is inducted as partner in the dealership/ distributorship, his/ her share in the dealership / distributorship shall be counted as SC/ST share.

4.2 Following steps will be taken in such cases :

- (i) Based on request from dealer / distributor and application for dealership/ distributorship from proposed incoming partner for dealership, the application will be scrutinized to confirm the eligibility of dealership / distributorship for such reconstitution and the eligibility of incoming partner for the dealership / distributorship as per prevailing dealer selection criteria like age, education, multiple dealership norms, etc.
- (ii) An interview committee will evaluate the incoming partner on prevailing dealer selection criteria (the evaluation will be done on all parameters except land and infrastructure to confirm the suitability of proposal).
- (iii) The proposal will be further processed for approval in cases where incoming partner secures minimum 60% marks in finance and also minimum 60% of the total.

## 5 General Conditions of Re-constitution

5.1 All incoming partners should fulfill all the basic requirements for becoming a dealer/ distributor on various criteria such as age, educational qualification, multiple dealership norms etc.

5.2 However, relaxation on age and education can be considered in following cases :

- (i) **Relaxation on age** can be considered in favour of legal heirs/ "family" member (as per prevalent dealer selection guidelines) in case of request for reconstitution arising out of death / incapacitation of the dealer.. In the event of legal heir being minor (below 18 years of age), the local guardian shall operate the dealership / distributorship till the legal heir becomes a major.
- (ii) **Relaxation on educational qualification** can be considered in favour of legal heirs/ "family" member (as per prevalent dealer selection guidelines) in case of request for reconstitution arising out of death / incapacitation of the dealer. . However, the candidate should be able to read, write and count.

5.3 In other cases, depending upon merit, relaxation on educational qualification can be considered.

5.4 With regard to the multiple dealership norms, the same will not be applicable to the dealerships/ distributorships commissioned before the multiple dealership norm came into existence. This relaxation shall be available only to spouse/children/grand children of the dealer/ distributor.

5.5 The request for reconstitution on account of total and permanent disability will be considered based on submission of certificate to this effect from Chief Medical Officer of Govt. hospital of the District. Alternatively, the recommendations of Medical Board recognized by the Govt. can also be considered by the State Head.

5.6 For considering eligibility of dealership for reconstitution, the reference point would be :

- (i) Date of commissioning for first reconstitution
- (ii) For subsequent reconstitution, the date of execution of last agreement. However, in case executed copy of agreement is not available, the date of approval of last reconstitution will be reckoned with.

## **6 Process of Reconstitution :**

The following process will be followed for disposal of reconstitution of commissioned dealership / distributorship

### **6.1 Application :**

A comprehensive, easy to be filled in application form giving details of annexures / formats of annexures has been finalized. The application for reconstitution, in the given format, will be submitted to the concerned DRSM / Area Manager against acknowledgement. Each application will be acknowledged giving reference to a unique identification no. (Docket no.).

### **6.2 Communication to dealer/ distributor :** Within 10 days of receipt a communication will be sent to the applicant informing

- i. Reasons for rejection of proposal (on eligibility norms)
- ii. Shortcomings in documents with a request to re-submit the corrected / additional documents and that further action will be taken only after receipt of complete proposal / additional document. After receipt of revised proposal / documents, new docket number will be given.
- iii. For proposals found suitable in all respects, the date and time on which all existing partners along with proposed incoming partner should visit Divisional Office / Area Office for meeting with DRSM/AM and verification of documents..

### **6.3 Meeting with partners :**

On due date of meeting with all existing and proposed incoming partner/s the identity of individuals with photo identity cards will be cross checked and the original documents with respect to eligibility criteria will also be verified. This will be followed by meeting of all existing and incoming partners with DRSM / AM.

### **6.4 Disposal of proposal**

After the meeting, the proposals will be disposed off by conveying "in principle approval" and necessary formalities to be completed by the firm for execution of documents giving 60 days time. Proposals found deficient and not suitable for approval will be disposed off with suitable communication giving reasons for rejection of proposal.

Proposals not within the authority of DM / AM will be forwarded within 7 days to State Office for necessary action at State Office

## **7 FEES**

### **7.1 Application processing fee :**

A non refundable application processing fee of Rs. 25,000 for reconstitution will be payable along with the application in all cases **except** (a) in cases where reconstitution is arising out of death /incapacitation of a proprietor, partner/s and incoming partner/s proposes to hold the same share in partnership as was with the deceased. (b) Dealership belonging to SC/ST and other Corpus Fund category. However, in cases involving induction of outside category partner in SC/ST dealership, no exemption will be given.

### **7.2 Reconstitution fee :**

Non refundable Reconstitution fee equivalent to prevailing security deposit (as applicable to new dealership at the time of reconstitution approval) will be collected before execution of agreement. However the reconstitution fee will not be collected in following cases:

- (i) Involving induction of partner from within "Family" as defined in prevailing dealer selection guidelines.
- (ii) Involving induction of legal heir after death / incapacitation of dealer/s provided incoming partner/s proposes to hold the same share in partnership as was with the deceased / incapacitated dealer.
- (iii) For SC/ST dealership involving induction of partner from SC/ST category.

**8 Timelines for disposal of Applications:**

The proposal shall be disposed off in a timebound manner preferably within 3 months from date of receipt of such proposal.

**9 Grievance Redressal**

In case of any grievance in the matter of reconstitution, the applicant will submit his petition to the State Head who will get the grievance investigated and dispose off the case within a period of one month's time from the date of receipt.