

No.P-19011/5/2005-IOC
Government of India
Ministry of Petroleum & Natural Gas

Shastri Bhawan, New Delhi.
Dated: the 16th October, 2008.

To

1. The Director(Marketing), Indian Oil Corporation Limited, Mumbai.
2. The Director(Marketing), Hindustan Petroleum Corporation Limited, Mumbai.
3. The Director(Marketing), Bharat Petroleum Corporation Limited, Mumbai.

Sub: Reconstitution of Retail Outlet dealerships/LPG Distributorships /SKO-LDO dealerships.

Sir,

In view of the difficulties experienced by Public Sector Oil Marketing Companies(OMCs) in carrying out reconstitution of Retail Outlet dealerships/LPG Distributorships /SKO-LDO dealerships, and also keeping in view the need to take care of the changing business environment involving intense competition, it has been felt that the guidelines on reconstitution need to be made more flexible, objective and transparent.

2. The issue was discussed with officials of OMCs in various meetings and a presentation was also made by OMCs. Based on the deliberations in these meetings, I am directed to forward herewith a set of broad guidelines on the issue(Annexure). OMCs are requested to frame their own detailed guidelines based on Ministry's broad guidelines as soon as possible and ensure that the new guidelines should be made effective, in any case, not later than 1.12.2008. While framing the detailed guidelines, the following provisions may also be incorporated:

- (i) Documents required for purpose of induction of partner need to be mentioned in guidelines itself for guidance of dealers/distributors.
- (ii) Field officers of the concerned OMC would inform the applicant about requisite documents within 10 days after the receipt of the proposal;
- (iii) Examination of proposal for induction of partner by OMC would be restricted to the eligibility of incoming partner rather than the reason of induction of partner;

(iv) In order to ensure that this policy is implemented in the right spirit, it is very essential that all the processes in regard to reconstitution should be completed in a transparent and time-bound manner. For this purpose, OMCs may identify officer(s) of the level of GM, who will be responsible for the timely disposal of reconstitution proposal.

3. A copy of the detailed guidelines framed by each OMC may thereafter be forwarded to this Ministry for record and reference. The guidelines should also be given publicity through website, brochure, etc.

4. With issue of this letter, all other guidelines/instructions issued by this Ministry, from time to time in the past, on the above issue covered by this letter, stand superseded.

Yours faithfully,

(Sanjay Gupta)
Director

Encl. A set of broad guidelines on reconstitution of Retail Outlet dealerships/LPG Distributorships /SKO-LDO dealerships.

Copy to:-

1. PS to Minister(P&NG)/OSD to MOS(P&NG)/Sr. PPS to Secretary(P&NG)/PS to AS(P&NG)/PS to JS(M)
2. Director(M)/Director(Dist), MOP&NG
3. C&MD, NRL/MRPL.
4. Shri Adarsh Saiwal, NIC, MOP&NG. This letter alongwith annexure may please be hosted on the website of the Ministry.
5. Guard file.

Annexure

Reconstitution of RO Dealerships/ LPG Distributorships/SKO-LDO Dealerships of Public Sector Oil Marketing Companies (OMCs)

1. Reconstitution at the stage of Letter of Intent (LOI)

Reconstitution of dealerships/distributorships may be allowed under the following circumstances:

- A** 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 and
- i.** where substantial investments towards commissioning of dealership/distributorship has been made, then
 - a. LOI may be transferred to legal heir of the deceased sole LOI holder.
 - b. in case of partnership, reconstitution may be allowed with the legal heir of the deceased/incapacitated original partner.
 - ii.** where substantial investments towards commissioning of dealership/distributorship has not been made, then
 - a. in case of allotment to individual, the OMCs concerned will evaluate the candidature of the legal heir vis-à-vis that of the next empanelled candidate as per the prescribed selection criteria and issue the LOI to the candidate selected after this fresh evaluation.
 - b. in case of allotment to partnership, the OMC concerned will evaluate the candidature of new partnership formed by the surviving partner(s) with the legal heir of the deceased/incapacitated partner vis-à-vis that of the

next empanelled candidate as per the prescribed selection criteria and issue the LOI to the candidate selected after this fresh evaluation.

- iii. The amount that will constitute a '**substantial investment**' will be decided by the Oil Marketing Companies (OMCs) jointly in order to have uniformity.
- iv. In the event of legal heir being a minor, the local guardian shall operate the dealership/ distributorship till the legal heir becomes a major.

B. where RO dealership has been allotted under SC/ST category, induction of minority partner from the same category will be allowed. 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.

OR

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 to concerned OMC. Family for this purpose is defined as consisting of father, mother, spouse, son(s) and daughter(s); and

- iii. should be agreeable to lease/sell the land to the concerned OMC.

2. Reconstitution of commissioned dealerships/distributorships

- i. Reconstitution will be permitted by induction of minority partner(s) only after 5 years of commissioning of dealership/distributorship.

- ii. Subsequent reconstitution shall be considered only after 5 years from the date of the last reconstitution.
- iii. A partner 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.
- iv. 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 the legal heir(s) has expressed unwillingness, the dealership/distributorship shall be terminated.
- v. 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 or the legal heir(s) has expressed unwillingness, the dealership/distributorship shall be reconstituted with the surviving partner(s).
- vi. 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.

The restriction of time period of 5 years as mentioned in para 2(i) above shall not be applicable for,

- **cases covered under para 2(iv), 2(v) and 2(vi) above.**
- **Sole Proprietorship if proprietor is above the age of 60 years or is a widow of Defense personnel.**

3. General conditions for reconstitution:

- i.** All incoming partners should fulfill all the basic requirements for becoming a dealer on various criterion such as, age, educational qualification, multiple dealership norms, etc,. However,
 - a. with regard to minimum age and minimum qualification of incoming partner(s), OMCs may allow relaxation depending on merit.
 - b. with regard to multiple dealership norms, these norms will not be applicable on cases where selection of the concerned dealership/distributorship was made prior to multiple dealership norms came into existence. This relaxation in reconstitution shall be available only to spouse/children/grand children of the dealer/distributor.

- ii.** 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 may require to induct a minority partner from outside his category. In such type of cases, the SC/ST dealer may induct a minority partner(s) from outside his category. However, at any point of time i.e. before or after reconstitution, the share holding of persons belonging to the category under which the subject dealership was allotted should be at least 75% of total shares. If non-SC/ST spouse of SC/ST dealer is inducted as partner in the dealership, his/her share in the dealership shall be counted as SC/ST share.

- iii.** The proposals for reconstitution will be approved at an appropriate level as the OMC may decide.

- iv.** All proposals for reconstitution of dealerships/distributorships shall be disposed of by the concerned OMC in a time bound manner preferably within 3 months from the date of receipt of such proposal.
