

Sub: Policy guidelines for sale of material through Retailers

1.0 Preamble

- 1.1 The National Steel Policy envisages steel consumption in urban areas to increase from the present level of 77 kg/man-year to 165 kg/man-year by 2019-20. As such, there appears to be a large demand in urban areas. In order to have a focused approach for meeting this demand and to channelize our products to this segment, it is decided to appoint Retailers in the above areas.
- 1.2 In order to realize the maximum potential in this segment, RINL preferred to have in place a strong and exclusive network of Retailers at all urban cities making available its products at the MRRP determined by RINL.

2.0 Location of Retailers

- 2.1 RINL will register Retailers covering the entire urban conglomerate including Metros, Cities, Major Towns and District headquarters. Further, RINL is also desirous to increase its market share in retail segment by permitting the Retailers to open multiple outlets (not exceeding three) at the locations preferred by them, with prior approval of RINL.
- 2.2 'Retail Outlet' is a place where Retailer does his sales operations like booking of orders, receiving payments, etc. In other words, 'Retail Outlet' is the 'Sales Office' of the retailer.
- 2.3 'Location' is defined by the boundaries of relevant municipal body like Municipality, Municipal Corporation etc. However, in case of huge urban agglomerations 'Location' can be a locality within it. The term 'location' is to be seen with reference to 'Retail Outlet' in the context of this policy.
- 2.4 Retailer is required to provide a warehouse of suitable area in the location of his operations. Each Retailer is responsible to open sales office in the urban area.
- 2.5 Retailer may require to provide additional warehouse facilities as advised by RINL for operational convenience in case of permitting multiple outlets.

3.0 Products covered

- 3.1 All Retailer outlets cum warehouses shall be exclusive outlets providing RINL products required for the target segment like manufacturing industries, housing, public utility, etc. Retail Outlet and Warehouse should be ideally located at the same place. However, in case this is not possible, the Warehouse can be located at a suitable place within/ outside the municipal limits.
- 3.2 Considering the requirement of the target segment, Rebars, Structurals, Rounds and Squares of all sizes are sold through Retailers. Further, products can be added with the approval of HOD-Marketing.

- 4.0 Method of Selection of Retailer
- 4.1 Normally, up to six Retailers are permitted for each location. However, considering the size and marketability of products at a particular location, Sr.BM may recommend for registering higher number of Retailers for approval of RM.
- 4.2 With introduction of Retailer Policy, the existing system of selling material through Trade shall be dispensed with. Upto 75% of the existing traders shall be registered as Retailers, on agreeing to the terms and conditions of the Retailer Policy and the willingness to operate an exclusive outlet for RINL. Interested traders shall give their order of preference for locations. In case more number of traders opt to become retailers for any location, the Retailers shall be selected in the order of their lifting (from highest lifting to the lowest) in the financial year 2009-10 in the order of preference. Format as per Annexure-V may be used for entering into agreement with these Retailers. However, Annexure-I, Annexure-II, Annexure-III and Annexure-IV are not relevant for them.
- 4.3 Additional number of Retailers to be registered through open advertisement shall be approved by RM based on the requirement to augment the Retailers already finalized as per Clause 4.2 above. The detailed format for advertisement, instructions to the applicant, format of application is placed at Annexures-I, II & III respectively. Evaluation sheet, Agreement format and Evaluation criteria are placed at Annexures-IV, V & VII respectively. .
- 4.4 The existing CAs, CSAs, Retailers, DLDs or Handling Contractors of RINL are not eligible to apply for Retailer through open advertisement.
- 4.5 Applications for Retailers shall be evaluated on a 10 point scale consisting of attributes like sales turnover as certified by CA, financial capabilities as certified by the Banker, experience in the field of steel etc. and any other criteria, which the company considers necessary to take into account while evaluation of the application. The minimum qualifying score for all categories is 2 (Two). Preference to applicants belonging to SC/ST& OBC (including state BC) shall be given.
- 4.6 The applicants in the order of the scale (from higher to lower) obtained by them shall be considered for registration in the branch. In case of two or more applicants scoring identical marks, preference order shall be 1.SC/ST 2.OBC and 3.General. In case of two or more applicants of same caste category scoring identical marks, higher sales turnover will be given preference.
- 4.7 The Retailer is expected to operate an exclusive outlet cum warehouse for RINL products to cater to the users and consumers generally in the local territory. However, the Retailers shall be permitted to sell to any customer including traders. The billing shall be made from the retail outlet permitted by RINL. RINL will, however, retain the right to sell any of the products within such jurisdiction directly or through other means and ways.

5.0 Period of Registration

- 5.1 The Retailer shall be registered for the financial year 2010-11 initially and can be renewed for one year (2011-12) on mutual agreement subject to the satisfactory performance as stipulated at Clause 7.1. On satisfactory performance in 2011-12, the registration will be extended for a period of three years (2012-15) on mutual agreement.
- 5.2 The All retailers are required to furnish Security Deposit before registration / renewal of registration as following:

Retailer Grade	General	SC/ST & OBC
A	Rs.5 Lakh	Rs.2.5 Lakh
B	Rs.4 Lakh	Rs.2 Lakh
C	Rs.3 Lakh	Rs.1.5 Lakh
D	Rs.2 Lakh	Rs. 1 Lakh
E	Rs.1 Lakh	Rs.0.5 Lakh

- 5.3 The Retailer shall be issued a certificate of Registration indicating the validity period, which shall be displayed at a prominent place of sales office of Retailer.
- 5.4 The materials shall be supplied to the Retailer after submission of Security Deposit, as mentioned above.

6.0 Selling Price

- 6.1 The Retailer can purchase materials from RINL at the ex-stock yard / ex-plant prices as applicable on the date of delivery. The payment shall be in advance unless otherwise specified and can be made by DD/PO/RTGS/NEFT/Cheque* payable locally at the Branch Office location.

* Extending cheque facility shall be as per prevailing policy in this regard.

- 6.2 The Retailer shall sell the materials at a price not exceeding the Maximum Recommended Retail Price (MRRP) announced by RINL. However, the local levies like ST/VAT, Octroi and any charges towards Interest or credit, Transport to customer (for more than 50 KM) etc shall be extra, as applicable. The billing shall specifically indicate the break-up of such additional charges if any. The MRRP shall be arrived by adding Rs.1200/-PMT (Retailer's margin) and Rs.1.50 per KM per Ton (subject to escalation/ de-escalation as per formula $F1=F0(0.7+0.3H1/H0)$ where F1 is the revised rate of freight, F0 is the original rate i.e., Rs.1.50, H1 is the retail selling price of HSD at the originating station on the first day of each quarter and H0 is the retail selling price of HSD at the originating station as on 01.7.2010) towards the freight expenses from Branch Stockyard to the Location {Subject to a minimum Rs. 200/-PMT} to the DO stage price of the controlling branch for the respective products. The MRRP shall be announced by the controlling branch per MT and also rate per length basis(for TMT Rebars only) , as given at 6.2 (A). MRRP should be same for all Retailers at one location.

6.2 (A) The weight table for calculating lengthwise price is as below:

Dia (mm)	Sectional weight (Kg/m)	Weight for 12m length (Kg)
8.0	0.395	4.74
10.0	0.617	7.40
12.0	0.888	10.66
16.0	1.580	18.96
18.0	2.000	24.00
20.0	2.470	29.64
22.0	2.980	35.76
25.0	3.851	46.21
28.0	4.830	57.96
32.0	6.310	75.72

6.3 The Retailers are required to display the MRRP in the Retail outlet cum ware house as per the format prescribed by the branch.

6.4 The sales to Retailers from RINL, shall be based on the weight. However, TMT Rebars can also be sold on length basis as given at 6.2 (A). However, billing to their customers shall be on weight basis.

6.5 The Retailer shall deliver the material free of cost towards transportation to the premises/site of his/their customers upto 50 KM from the Retailer yard. A part of the Retailer's margin (upto Rs.200/-) is allowed in view of this service.

6.6 The Retailer shall also be eligible for quantity based incentives announced by Head Quarters from time to time.

7.0 **Quantity**

7.1 The agreed monthly off-take quantity shall be 150 T for all Retailers registered through advertisement. The agreed quantities for the existing Retailers on extending the Registration (in subsequent years) and for earlier Traders while registering as Retailers shall be finalised based on their lifting in the previous year as indicated at Annexure X. The Retailer is required to fulfill at least 75% of the committed quantity on annual basis. The performance of the Retailer shall be reviewed as below:

7.1.1 For successful performance in 2010-11, the retailer shall complete min 30% of the annual quantity by 30th September 2010 and min. 75% of the annual quantity by 31st March 2011. However, for retailers registering on or after 1st August 2010 shall be required to complete min. 75% of the annual quantity by 31st March 2011 only.

7.1.2 On successful performance in 2010-11 the registration can be extended by 1 year (2011-12) on mutual agreement. For successful performance in 2011-12, the retailer shall complete min 30% of the annual quantity by 30th September 2011 and min. 75% of the annual quantity by 31st March 2012.

- 7.1.3 On successful performance in 2011-12, the registration can be extended by another 3 years (2012-15) on mutual agreement. Successful performance in this period (2012-15) will be considered as min.30% of the annual quantity in 1st half of every year and min.75% of the annual quantity every year.
- 7.1.4 In case of failure as above, at any point of intermediate review in the above mentioned periods, the SD shall be forfeited and SD has to be submitted afresh to continue the registration. However, incase the annual lifting is less than 25% of annual quantity, Registration of Retailer shall be cancelled along with SD forfeiture.
- 7.2 Additional quantities can be given to the Retailers on their request and subject to availability. In 2010-11, for distribution of material from 1st Oct 10 to 31st Mar 11, the lifting performance of Retailers up to 30th Sep 10 shall be taken in to consideration. It means that while offering material to MOU customers as per sales policy (after the advance booking phase), the Retailers' lifting performance till 30th Sep 10 shall be considered for offering the material.

8.0 Promotional Efforts

- 8.1 RINL shall provide standard advertising / promotional material to be used by the Retailer. Retailer is required to use only the material provided by RINL for this purpose.

9.0 Quality

- 9.1 RINL shall provide test certificate for the materials supplied to the Retailer. The Retailer can provide the copies of the Test Certificate to his customers.
- 9.2 The Retailer shall take necessary care in respect of storage of materials in his premises in order to avoid any damage, mix-up or loss of identity of materials. The Retailer shall maintain the accounts of incoming and outgoing materials.
- 9.3 The Quality complaints, if any shall be settled as per the Quality complaint procedure in vogue.
- 9.4 The Retailer shall display the name, address & telephone Nos. of Sr.BM, RM, and HOD-Marketing at a prominent place in the Retailer premises to enable their customer to contact them in case of difficulty or for further Information. The Retailer is required to maintain a suggestion and complaint register in the premises and shall forward all the suggestions/complaints to the Sr.BM at the earliest.

10.0 Inspection and Reports

- 10.1 The retailer shall submit Stock and Sales report to the Controlling Branch on fortnightly basis [every 15th and month end] by E-mail (or otherwise as instructed) in the format given below:

Product/ Size/ Grade	Sales		Stocks At end of fortnight
	In the fortnight	Cumulative In year	

- b) The retailer shall maintain a summary of transactions including customer name, contact details, product and quantity sold etc. and produce before RINL personnel during periodic inspections. The retailer shall submit a self declaration on fortnightly basis confirming that the details provided in the documents/registers are correct and the materials are not sold above MRRP.

10.2 ---

- 10.3 RINL has the right and liberty to inspect the Retailer's premises at any time. The Retailer shall extend all facilities and co-operation for such inspection by production of records as requested by the representative of RINL.

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- 10.5 The Sr. BM shall review the performance of the Retailer, at the end of every quarter and submit a consolidated report to RM. RM may further consolidate the report covering all branches in the region and submit the same to HOD-Marketing.

11.0 **Delegation of Powers**

12.0 **Other Information**

- 12.1 Depending on the areas selected by the Retailers for opening of the outlet, more than one Retailer may be operating at a particular location. The Retailers operating within one area should coordinate with each other to avoid unhealthy competition. Any complaints on unhealthy trade practices will be viewed seriously and may lead to cancellation of the registration.

- 12.2 The Retailer shall not participate in tenders and other supplies to the Government Departments / PSUs without written permission of RINL. RINL reserves the right to advise the Retailer to participate in certain tenders or to service certain orders obtained by RINL, as per the directions given from time to time.

- 12.3 The Retailer is required to provide a valid E-mail ID, for maintaining the communication with the branch. Maintenance of a computer with Internet access is preferred in this regard. The Retailer is required to submit the report through E-mail as mentioned above.

- 12.4 RINL may, at its sole discretion, cancel the registration of Retailer giving a notice of 15 days, in the event of adverse and repeated customer feedback, and any other aspect considered detrimental to the interest of RINL.

Also, at any point of time during the process of registration or after registration, it is found that any of the declarations given by the applicant/retailer is found to be incorrect or false, then the registration is liable to be cancelled summarily.

- 12.5 The applicant/ Retailers, whose application has been rejected/ registration has been cancelled as per clause 12.4 above, shall not be allowed to participate in any of the selection process of RINL for sales outlets for a period of One year from the date of cancellation of application/registration.

Annexure X

Methodology for fixing the quantities for Retailers
(Applicable for the financial year 2010-11)

1. Retail outlets shall be classified into three grades as follows:

Grade A	21600 T per Annum or more
Grade B	14400 T per Annum or more
Grade C	7200 T per Annum or more
Grade D	3600 T per Annum or more
Grade E	1800 T per Annum or more
2. The agreed annual Quantities for the Retailers being registered based on advertisement shall be 1800 T and shall be placed in Grade E. The agreed Quantities for the Retailers being registered from Traders shall be arrived based on their previous years lifting.
3. The base quantities for the Retailers shall be as follows.

Lifting in previous year (as trader)	Base quantity for current year
Up to 3600 T	1800 T
>3600 T to 7200 T	3600 T
>7200 to 14400 T	7200 T
>14400 T to 21600 T	14400 T
Above 21600 T	21600 T

No loyalty addition is available for Grade D and E Retailers. Registration for new retailers through advertisement shall be only for 1800 TPA.

4. The Traders had associated with RINL and are partners in its growth. Accordingly, the Retailers being registered from Traders shall be permitted to enhance their quantities, by way of loyalty addition. A quantity of 15% of the Sales Plan for the Retailers shall be ear-marked for loyalty addition. All the retailers being registered shall be permitted to add a part of this quantity, equivalent to their lifting ratio in the previous year.

For example, a branch having a sales plan of 100000T per annum under Retailer shall ear-mark a quantity of 15000 T (i.e. 15%) for loyalty addition. In case the following 4 Trade customers are being registered as Retailers, the loyalty addition shall be as follows:

	Qty in Previous year	%age in Pre. Year	Loyalty addition
Customer AA	22000	44.90%	6735 (44.9% on 15000 T)
Customer BB	14500	29.60%	4440 (29.6% on 15000 T)
Customer CC	7500	15.30%	2295 (15.3% on 15000 T)
Customer DD	5000	10.20%	1530 (10.2% on 15000 T)
Total	49000		

5. Regularity and Consistency in the sales will help any industry for its growth. RINL recognizes the growth requirements of the customers. A quantity of 5% of the Sales Plan for the Retailers shall be ear-marked for Consistency addition which will contribute to the growth in the Quantities. Retailers, who are consistent in the quarter shall be permitted to enhance their quantities, by 5% of the base quantities as follows:

Retailers who had lifted 6.5% of the MOU quantity per month shall be considered consistent. The Retailers who were consistent for any four months in first two quarters shall be permitted to add a quantity equivalent to 2% of the base quantity to the quarterly MOU quantity from 1st Oct 2010. Similarly, the Retailers who are consistent for any six months in first three quarters shall be permitted to add a quantity equivalent to 3% of the base quantity to the Quarterly MOU quantity from 1st Jan 2011. The MOU quantity shall be the total of quarterly quantities for assessing the eligibility for TQI and performance.

6. Thus, the agreed quantities for Retailers shall be as follows:

	Base Quantity	Loyalty Addition	Agreed Quantity	After Consistency addition	
				III Qtr	IV QTR
Customer AA	21600	6735 T	28335 T	7083+432	7083+432+648
Customer BB	14400	4440 T	18840 T	4710+288	4710+288+432
Customer CC	7200	2295 T	9495 T	2373+144	2373+144+216
Customer DD	7200	1530 T	8730 T	2182+144	2182+144+216

7. The additional quantities shall be given at the option of the Retailer. The Retailers interested to enhance their quantities shall submit their request in writing to Sr.BM within 7 working days from the beginning of the quarter for consistency addition. Loyalty addition shall be finalized along with initial MOU.