

Marketing Discipline

Guidelines 2022

For LPG Distributorship



w.e.f. 01st May 2022

MARKETING DISCIPLINE GUIDELINES – 2022

LPG Distributorship

INTRODUCTION -

Liquefied Petroleum Gas (LPG) marketing commenced in India during the year 1955 at (Bombay) Mumbai by erstwhile M/s Burma Shell. Since then LPG market in India has evolved over the last six decades from a miniscule level to the present position of around 31 crore active customers on Industry basis. LPG marketing activities are expected to grow further because of the focus on expansion in rural areas.

There is a network of over 25,200 LPG distributors in the country to meet the requirement of LPG consumers. LPG marketing is unique. LPG consumers are tied to LPG distributor with very little freedom to choose their distributors. Such a vast and complex marketing activity requires proper discipline among the LPG distributors from whom the entire LPG customers are serviced.

LPG distributorships are appointed by Public Sector Oil Marketing Companies (OMCs) and are governed by the terms & conditions of agreement entered into between the OMCs & the Distributors. The various clauses of the distributorship agreement spell out the several responsibilities that have to be performed by the distributorships as well as by the OMCs. Besides the responsibilities spelled out in the distributorship agreement, there are operating policies, procedures and practices that are required to be followed by the distributors to serve the LPG consumers. Further there are prohibited activities that have to be avoided by the distributors. In order to ensure that distributors follow operating policies, procedures and practices, various actions to be taken against erring distributors are made which are called Marketing Discipline Guidelines (MDG). MDG form part & parcel of the instructions as issued from time to time under relevant clause on 'Faithful Performance' of the Distributorship/Dealership Agreement. These guidelines do not preclude any action under the Distributorship Agreement.

The MDG for LPG distributorships has been in existence for over 30 years. The 1st MDG for LPG distributorships was introduced in 1982. It was subsequently revised in 1988, 1994, 2001, 2014, 2015, 2017 and thereafter in 2018.

These guidelines need to be constantly updated to meet the enhanced customer service requirements arising out of changing market environment, challenges of IT, government schemes, for enforcing discipline amongst the distributorship network and prevent malpractices in the sale of petroleum products.

These guidelines will be applicable for any findings/detection/observations made from 01st May 2022.

1. PROCEDURE FOR HANDLING OF LPG CYLINDERS BY DISTRIBUTORS

It will be the responsibility of the Distributors to sell product of correct Quality & Quantity and provide excellent customer service.

1.1 RECEIPT OF PRODUCT

At the time of arrival of truck carrying filled LPG cylinders, the Distributor should match the details of the Invoice with the receipt of consignment in the following manner:

- i) Truck No.
- ii) Type of cylinders
- iii) Number of cylinders
- iv) The time when truck left Supply Point
- v) The time when truck reported at godown

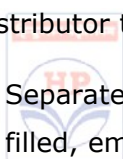
1.2 Unloading of Filled LPG Cylinders at LPG Storage Godown

The Distributor to carry out the following:

- i) Separate area should be marked in the LPG storage godown for keeping filled, empty and defective cylinders for each type of cylinders.
- ii) The platform type Digital Weighing Scale of least count +/-10 gms should be checked with standard weight for accuracy.
- iii) While unloading filled LPG cylinders, weight of 10% cylinders taken randomly should be checked and records should be maintained in the prescribed format given by OMCs.
- iv) Cylinders that have net weight beyond permissible limit should be returned in the same truck. Record of the same should be maintained.

1.3 STOCK / PRICE CONTROLS

- i) Distributor to display opening stock and Retail Selling Prices of products / various categories of cylinders.
- ii) Distributor to maintain a daily stock-register for filled, empty and defective cylinders for all types / categories of cylinders.



1.4 QUALITY / QUANTITY CONTROL MEASURES

- a) Presently, for a 'Household' ['Household' as defined in the Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000 as amended on 10 September' 2009 or as notified from time to time] domestic consumers would be provided at subsidized rate upto 12 cylinders of 14.2 Kg or the number of cylinders as notified from time to time. Any cylinders beyond 12 or the number as notified from time to time will be given at non-subsidized domestic rate. Non-Domestic Exempted Category (NDEC) customers are also treated as domestic LPG customers and allowed the supply of LPG at subsidized rates till the cap as is applicable to domestic LPG customers.
- b) 100% cylinders should be visually inspected for dents and cuts on the body of cylinders and such damaged cylinders should be segregated and returned to Bottling Plant. Similarly, the cylinders which are due for Statutory Testing should also be segregated and returned to the Bottling Plant.
- c) All the cylinders taken out for delivery should be checked for correctness of net weight on the platform type digital weighing scale of least count +/- 10 gms prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time. Cylinders that have net weight beyond permissible limit prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time should be segregated and returned to concern Bottling Plant.
- d) Cylinder with correct net weight only should be taken out for delivery to the customers.
- e) Delivery staff engaged for effecting home delivery should be in uniform and have Identity Card issued by the distributor.
- f) While delivering the filled LPG cylinder to the customer, distributor staff should verify the address of the customer. In each and every case, the delivery staff of the distributor should carry out PDC (Pre-Delivery Checks) in the presence of customer or his/her representative and deliver the cylinder.
- g) The delivery staff should take permission of customer to demonstrate the soundness of cylinder by connecting it with the Gas stove.
- h) The delivery staff should ensure to make proper entries of all the relevant information in the Domestic Gas Consumer Card (DGCC) regarding the refill supplies made to the respective customers.
- i) Cash Memos should carry the message "Get cylinder checked for weight and leakage at the time of delivery".
- j) Cylinder with any defect should be brought back to the godown. Only sound cylinders should be delivered to the customers.
- k) Distributor to maintain record of defective cylinders returned from customer. Distributors should return these cylinders to concerned LPG Bottling Plants as per

prevalent guidelines of concerned OMC.

- l) Delivery staff should convey and deliver any message / instruction to the customer relating to LPG marketing as intimated from time to time.
- m) Distributor's trained staff to install new LPG connection at consumer's premises and demonstrate its safe use.
- n) At the time of inspection, stock of equipment recorded in the inspection report and signed by both the parties shall be firm and final. The Distributor later on showing some documents and making good the inventory will not be considered.

1.5 OBSERVANCE OF STATUTORY AND OTHER REGULATIONS

- i) All statutory rules and regulations in connection with storage and sale of petroleum products must be followed and implemented by distributor.
- ii) Distributor to observe rules and regulations of the Department of Explosives.
- iii) Distributor will not buy, sell or exchange domestic Pressure Regulators / LPG Cylinders / petroleum products with any other Distributor or anybody other than the principal Oil Company unless authorized by the concerned Oil Company in writing.
- iv) Distributor to maintain files wherein all Inspection Reports, correspondence received from Oil Company from time to time, copies of invoices etc., are available at the distributorship for ready reference.

1.6 CUSTOMER SERVICES AND GENERAL AMENITIES TO BE PROVIDED AT SHOWROOM / GODOWN

- i) LPG Distributor should ensure availability of sufficient filled cylinders of correct quantity and quality for timely delivery of filled cylinders to the customers by placing timely and sufficient indents for filled cylinders at Bottling Plants of OMCs. Normally filled cylinders' stock equivalent to two days of average daily off-take and turnaround time of the truck from the supply point must be available and an indent available at supply point should be the basis for placing the next indent by the distributor.
- ii) The LPG distributor should provide adequate delivery infrastructure for making home delivery of LPG cylinders commensurate to the average daily refill sales and also to take care of breakdowns/absenteeism. In case of backlog situation, additional delivery infrastructure as per requirement is to be provided
- iii) LPG Distributor should ensure prompt service and courteous behaviour at all times.
- iv) A suggestion/complaint book must be maintained and made readily available to customers on demand. A message indicating availability of this book must be prominently displayed.
- v) The working hours of the LPG Distributorship should be prominently displayed. Holiday notices should be displayed well in time.

- vi) The Distributor shall provide one telephone connection (land line) for refill sales up to 4000 cylinders in a month and minimum 2 telephone connections (land line) for having monthly refill sales of more than 4000 cylinders.
- vii) Distributor must prominently display his Name/Telephone number(s) and also Name/Telephone number(s) of the Oil Company personnel who are to be contacted by the customer in case of complaints. In addition, the Distributor should display messages on the Customer Service Cell and posters on Customer Education as provided by the respective Oil Companies from time to time.
- viii) First Aid Box should be available at the distributorship, with necessary medicinal aids.
- ix) Distributor to ensure that their distributorship is kept in clean condition and have sufficient sitting space. All required facilities should be adequate.
- x) Safety equipment at LPG storage go-down and showroom should be provided as per the statutory requirements and maintained in good working condition. The Distributor and staff should be fully trained in handling and operating these equipment.



CHAPTER - 2

TYPE OF IRREGULARITIES BY LPG DISTRIBUTORSHIPS

Marketing of Domestic LPG cylinders is unique in which customer and distributors have a lasting relationship that may continue for generations, if the services of distributor are good and have satisfied customers. In order to ensure that the distributors provide good service to the customer a discipline has to be enforced and certain acts are not permitted and also not expected in course of operations. Further, certain efficiency in operation such as on time delivery is expected from distributors and if such norms are not met, then penalties are liable to be imposed. In the operation of distributorships, depending on their nature, irregularities have been classified into 3 different categories i.e. Critical, Major and Minor based on severity of the irregularity. Their aim is to provide a graded disincentive for acts of commission/omission.

2.0: Critical:

- 2.0.1 More than 25 and less than 200 cases of, proven violations detected of issuing connection under PMUY to any person not eligible under PMUY/Extended PMUY/PMUY-2/Any other government scheme in contravention to applicable guidelines issued by OMCs. (The cases due to failure of software which are beyond the control of distributor will be excluded)
- 2.0.2 More than 200 cases , proven violations detected of issuing connection under PMUY to any person not eligible under PMUY/Extended PMUY/PMUY-2/Any other government scheme in contravention to applicable guidelines issued by OMCs (The cases due to failure of software which are beyond the control of distributor will be excluded)

2.1 Major Irregularities:

- 2.1.1 Proprietor/Partner or his representative or his staff caught/found indulging in transfer of LPG from one cylinder to another cylinder or container.
- 2.1.2 More than 25 % of Filled LPG cylinders loaded in a delivery vehicle for delivery to customers found under weight beyond permissible limit prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time.
- 2.1.3 Release of more than 25 Nos of domestic connections to ineligible persons/consumers/household/ detected during the inspection or on the date of inspection. Such connections will be treated as 'ineligible connections'
'Ineligible connection' is defined in Chapter-6
- 2.1.4 Shortage of domestic cylinder/ PR and detection of spurious cylinder/ PR of more than 50 domestic LPG cylinders/Spurious cylinders or domestic pressure regulators/Spurious Pressure Regulators or all put together detected during the inspection or on the date of inspection.

- 2.1.5 Unaccounted sale of more than 50 filled LPG cylinders in 14.2 Kg & 5 Kg (supplied by OMCs at subsidized and non-subsidized domestic LPG rates) detected during the inspection or on the date of inspection for a period of preceding one year.
- This will include supply of filled cylinders to ineligible customer including customer/s already transferred/terminated/fake/blocked and updating refill delivery of a cylinder for a customer in the OMC software by distributor or his staff whereas cylinder has actually not been delivered to the customer leading to wrong transfer of subsidy to customer's bank account. All refills supplied to such customers will be treated as unaccounted sale. It will also include filled cylinder sale accounted in the name of a genuine customer but not delivered to him and/or selling more than the permitted domestic subsidized 14.2 kg/5 Kg LPG cylinders as per entitlement to household/Non-Domestic Exempted category customers. It will also include mismatch between filled and empty stock although filled and empty combined stock found to be correct.
- 2.1.6 Tampering / Hacking of the OMCs authorized software used for maintaining the customer data/transactions.
- 2.1.7 Sale of non BIS / Sub Standard equipment including Gas Stove/ LPG Suraksha Hose.
- 2.1.8 More than 50 cases detected of incorrect recording of 'Aadhaar' number and/or Bank account number against consumer number resulting in advance subsidy /subsidy amount being transferred to wrong person's bank account.
- 2.1.9 Misappropriation of OMC funds given to distributor towards the cost of Suraksha Hose, DGCC, installation and administrative charges etc. - more than 50 cases of LPG connections under the PMUY & such other special scheme wherein the funds have been claimed from the OMCs without providing the product /services to the eligible customers /claimed from OMC as well as recovered from the customer.
- 2.1.10 Overcharging on release of new connections/additional cylinders (Observed in minimum 25 % cases on a minimum sample size of 20)
- 2.1.11 Overcharging on refill delivery (Observed in minimum 25 % cases on a minimum sample size of 20)
- 2.1.12 Overcharging other services or charging for any activity for which charges are not permissible. (Observed in minimum 25 % cases on a minimum sample size of 20)
- 2.1.13 Forced sale of hot plates/other accessories to both enrolled and wait listed customers. (Observed in minimum 25 % cases on a minimum sample size of 20)
- 2.1.14 Not giving rebate on non-home delivery. (Observed in minimum 25 % cases on a minimum sample size of 20)
- 2.1.15 Unapproved / unauthorized non home delivery of filled cylinder. (Observed in minimum 25 % cases on a minimum sample size of 20)
- 2.1.16 Deliberate Non-attendance of complaints of delay in refill supply / leakage of cylinders.

2.1.17 Supply of partially used / underweight cylinder beyond permissible limit prescribed in Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time.

2.2 Minor Irregularities:

2.2.1 Upto 25 % of Filled LPG cylinders loaded in a delivery vehicle for delivery to customers found underweight beyond permissible limit prescribed in the Legal Metrology (Packaged Commodities) Rules, 2011 as amended from time to time.

2.2.2 Release of upto 25 Nos of domestic connections to ineligible persons/consumers/household/ detected during the inspection or on the date of inspection. Such connections will be treated as 'ineligible connections'
'Ineligible connection' is defined in Chapter-6

2.2.3 Shortage of domestic cylinder/ PR and detection of spurious cylinder/ PR of up to 50 domestic LPG cylinders/Spurious cylinders or domestic pressure regulators/Spurious Pressure Regulators or all put together detected during the inspection or on the date of inspection.
Unaccounted sale of up to 50 filled LPG cylinders in 14.2 Kg & 5 Kg (supplied by OMCs at subsidized and non-subsidized domestic LPG rates) detected during the inspection or on the date of inspection for a period of preceding 1 year. This will include supply of filled cylinders to ineligible customer including customer/s already transferred/terminated/fake/blocked and updating refill delivery of a cylinder for a customer in the OMC software by distributor or his staff whereas cylinder has actually not been delivered to the customer leading to wrong transfer of subsidy to customer's bank account. All refills supplied to such customers will be treated as unaccounted sale. It will also include filled cylinder sale accounted in the name of a genuine customer but not delivered to him and/or selling more than the permitted domestic subsidized 14.2 kg/5 Kg LPG cylinders as per entitlement to household/Non-Domestic Exempted category customers. It will also include mismatch between filled and empty stock although filled and empty combined stock found to be correct.

2.2.4 Non-issuance of receipt or cash memo for amount collected from customer

2.2.5 Rude/discourteous behavior of distributor/staff/delivery staff without any provocation by customer.

2.2.6 Showroom kept closed on working days / during working hours.

2.2.7 Non-placement of timely and sufficient indents at Bottling Plants to cover demand for each type of filled cylinders.

2.2.8 Deliberate delay in refill supplies against refill booking.

2.2.9 Non-compliance of pre-delivery checks for refills before delivery of refills by distributor's staff/distributor.

2.2.10 Distributors not having adequate delivery infrastructure for home delivery and adequate manpower for Mechanic service

2.2.11 Showroom Staff / Mechanic / Delivery staff found not in uniform / without identity card while on duty

2.2.12 NON-MAINTENANCE OF SPECIFIED RECORDS

Distributors are required to maintain the following records: -

- i. Inspection record for preceding three financial years.
- ii. Sales Bills pertaining to enrollment of new connections/DBCs for the current and the preceding financial year.
- iii. To retain the acknowledged copy of refill cash memos for a minimum period of 12 months or for a time period specifically advised in writing by Divisional Office/ Territory Office / Regional Office of the concerned OMC.
- iv. Selling license, Explosives License and such other licenses which are needed for continued operation of the LPG Distributorship.
- v. Insurance policies as required for operation of LPG Distributorship.
- vi. Complaint and suggestion Book.
- vii. Any other record as specified by OMCs in writing.

2.2.13 Non-Display of updated Standard Notices as communicated from time to time.

2.2.14 Up to 50 cases detected of incorrect recording of 'Aadhaar' number and/or Bank account number against consumer number resulting in advance subsidy /subsidy amount being transferred to wrong person's bank account.

2.2.15 Non installation of new LPG connection at the consumer's premises and demonstration of its safe use.

2.2.16 Refusing to accept payment from LPG consumers through cashless mode

2.2.17 Non availability of platform type digital weighing scale of least count +/-10 gms at Godown, in working condition and having valid certificate.

2.2.18 Overcharging on release of new connections/additional cylinders (Observed in less than 25 % cases on a minimum sample size of 20)

2.2.19 Overcharging on refill delivery (Observed in less than 25 % cases on a minimum sample size of 20)

2.2.20 Overcharging other services or charging for any activity for which charges are not permissible. (Observed in less than 25 % cases on a minimum sample size of 20)

2.2.21 Forced sale of hot plates/other accessories to both enrolled and wait listed customers. (Observed in less than 25 % cases on a minimum sample size of 20)

2.2.22 Not giving rebate on non-home delivery. (Observed in less than 25 % cases on a minimum sample size of 20)

2.2.23 Unapproved / unauthorized non home delivery of filled cylinder. (Observed in less than 25 % cases on a minimum sample size of 20).

2.2.25 Misappropriation of OMC funds given to distributor towards the cost of Suraksha Hose, DGCC, installation and administrative charges etc. – up to 50 cases of LPG connections under the PMUY & such other special scheme wherein the funds have been claimed from the OMCs without providing the product /services to the eligible customers /claimed from OMC as well as recovered from the customer.

2.2.26 Refusal to register request for new connection/ Double bottle connection(DBC).

The above lists of irregularities though exhaustive, may have some omissions. In case any item is identified later the same will be added by the OMCs in consensus.



CHAPTER - 3

Action has been prescribed in proportion to the size of Distributorship which is as per refill sale of the distributor with a maximum cap and also recovery against quantum of irregularity detected and compensation to customer (if any). Applicable statutory taxes will be recoverable over and above the amount of fine/penalty quantum etc. Following action is prescribed for different categories of irregularities: -

3.0 Critical:

3.0.1 More than 25 and less than 200 cases of, proven violations detected of issuing connection under PMUY to any person not eligible under PMUY/Extended PMUY/PMUY-2 scheme in contravention to applicable guidelines issued by OMCs. (The cases due to failure of software which are beyond the control of distributor will be excluded)

1st instance:

- Fine of Rs. 4,00,000/- or equivalent to 40% of AMDC as defined in Chapter-6 (whichever is less), Plus Rs. 1600/- multiplied by number of such connections released and outstanding loan/Grant/Refill grant under PMGKY etc, and subsidy if any. Connection is to be terminated by preparation of TV and retrieval of equipment's. In case the equipment's are not retrieved then additional recovery is to be made at applicable penal rate. Stocks to be accounted in the books of the distributor and to be corrected accordingly, if TV is made then outstanding loan/Grant/Refill grant under PMGKY etc, and subsidy should not be collected as the same is debited to the distributor once TV is generated.

2nd instance:

- Termination Plus Rs. 1600/- multiplied by number of such connections released, released and outstanding loan/Grant/Refill grant under PMGKY etc, and subsidy if any. Connection is to be terminated by preparation of TV and retrieval of equipment's. In case the equipment's are not retrieved then additional recovery is to be made at applicable penal rate. Stocks to be accounted in the books of the distributor and to be corrected accordingly, if TV is made than outstanding loan/Grant/Refill grant under PMGKY etc, and subsidy should not be collected as the same debited to the distributor once TV is generated.

3.0.2 More than 200 cases of proven violations detected of issuing connection under PMUY to any person not eligible under PMUY/Extended PMUY/PMUY-2 scheme in contravention to applicable guidelines issued by OMCs (The cases due to failure of software which are beyond the control of distributor will be excluded)

1st instance:

- Termination Plus Rs. 1600/- multiplied by number of such connections released, released, outstanding loan/Grant/Refill grant under PMGKY etc, and subsidy if any. Connection is to be terminated by preparation of TV and retrieval of equipment's. In case the equipment's are not retrieved than additional recovery is to be made at applicable penal rate. stocks to accounted in the books of the distributor and to be corrected accordingly, if TV is made than outstanding loan/Grant/Refill grant under PMGKY etc, and subsidy should not be collected as the same debited to the distributor once TV is generated.

The above recovery of Rs 1600 is applicable in cases under PMUY/ ePMUY/ PMUY-2 schemes. In case this amount is revised subsequently in future schemes, the same shall be applicable.

3.1 Major Irregularities:

1st instance:

Fine of Rs 2,00,000/- or equivalent to 20% of AMDC as defined in Chapter-6 (whichever is less), plus quantum for all irregularities.

2nd instance:

Fine of Rs 3,00,000/- or equivalent to 30% of AMDC as defined in Chapter-6 (whichever is less), plus quantum for all irregularities.

3rd instance:

Fine of Rs 4,00,000/- or equivalent to 40% of AMDC as defined in Chapter-6 (whichever is less), plus quantum for all irregularities.

4th instance: Termination plus quantum for all irregularities.

Quantum of irregularity –

- Transfer/ pilferage of LPG from cylinder and / or detection of underweight cylinders loaded in a delivery vehicle for delivery to customers – recovery based on RSP of 19 kg NDNE cylinder prevailing at the time of detection of irregularity shall be made equivalent to the quantity of the LPG pilfered/found short.
- Unaccounted sale of LPG in 14.2 kg & 5 kg cylinders (supplied by OMCs at subsidized & non-subsidized domestic LPG rates) - The pro-rated Retail Selling Price (RSP) of 19 kg NDNE (Non Domestic Non Essential) cylinder to be applied for the unaccounted category of cylinders. To arrive at the amount to be recovered, the difference between the pro-rated RSP as given above and RSP of the category of cylinder established as unaccounted is to be applied. In both the cases, the RSP as applicable at the time of detection of the irregularity should be considered.

- Detection of spurious equipment- recovery at penal rate as applicable and prevailing at the time of detection of irregularity would be levied for the spurious equipment along with confiscation of equipment.
- LPG connection releases to ineligible consumers – Rs. 1600/- multiplied by number of such connections released plus subsidy paid if any. The amount of Rs 1600/- is based on current security deposit of cylinder/ DPR. The amount will revise on revision of security deposit of cylinder/DPR. Connection is to be terminated by preparation of TV along with forfeiting the security deposit and retrieval of equipment. In case the equipment are not retrieved then additional recovery is to be made at applicable penal rate. Stocks to be accounted in the books of the distributor and to be corrected accordingly.
- Shortage of equipment – penal rate as applicable at the time of detection of irregularity would be levied.
- Recording of incorrect Aadhaar number against consumer number – recovery of the amount transferred to wrong person's bank account.
- Updating delivery of cylinder for a customer in the OMC software by distributor and his staff whereas cylinder has actually not been delivered to the customer – recovery of the amount transferred to wrong person's bank account.

Compensation to the Customers –

- Refund of excess amount charged from the customer including applicable rebate on non-home delivery of refill.
- Free replacement of underweight cylinder if supplied to the customer.

3.2 Minor Irregularities

1st instance: Warning-cum-guidance letter plus quantum for all irregularities.

2nd instance:

Fine of Rs 50,000/- or equivalent to 5% of AMDC as defined in Chapter-6 (whichever is less), plus quantum for all irregularities.

3rd instance:

Fine of Rs 1,00,000/- or equivalent to 10% of AMDC as defined in Chapter-6 (whichever is less), plus quantum for all irregularities.

4th instance or more:

Fine of Rs 1,50,000/- or equivalent to 15% of AMDC as defined in Chapter-6 (whichever is less), plus quantum for all irregularities.

Quantum of irregularity –

- Unaccounted sale of LPG in 14.2 kg & 5 kg cylinders (supplied by OMCs at subsidized & non-subsidized domestic LPG rates) - The pro-rated Retail Selling Price (RSP) of 19 kg NDNE (Non Domestic Non Essential) cylinder to be applied for the unaccounted category of cylinders. To arrive at the amount to be

recovered, the difference between the pro-rated RSP as given above and RSP of the category of cylinder established as unaccounted is to be applied. In both the cases, the RSP as applicable at the time of detection of the irregularity should be considered.

- Detection of spurious equipment- recovery at penal rate as applicable and prevailing at the time of detection of irregularity would be levied for the spurious equipment along with confiscation of equipment.
- LPG connection releases to ineligible consumers – Rs. 1600/- multiplied by number of such connections released plus subsidy paid if any. The amount of Rs. 1600/- is based on current security deposit of cylinder/ DPR. The amount will revise on revision of security deposit of cylinder/DPR. Connection is to be terminated by preparation of TV along with forfeiting the security deposit and retrieval of equipment. In case the equipment are not retrieved than additional recovery is to be made at applicable penal rate. Stocks to accounted in the books of the distributor and to be corrected accordingly.
- Shortage of equipment – penal rate as applicable at the time of detection of irregularity would be levied.
- Recording of incorrect Aadhaar number against consumer number – recovery of the amount transferred to wrong person's bank account.
- Updating delivery of cylinder for a customer in the OMC software by distributor and his staff whereas cylinder has actually not been delivered to the customer – recovery of the subsidy amount transferred to wrong person's bank account.

3.3 Treatment in case of Multiple Irregularities: In case of multiple category of irregularities detected during one instance of inspection/investigation, then the fine as applicable to the highest category of irregularity established will be levied upon the distributor i.e. the order of precedence for imposition of fine will be 'Critical' over 'Major' and 'Major' over 'Minor'. Accordingly, there will be only one penalty for all irregularities established in one instance. However, in addition to the fine imposed, penalty as per the 'quantum of irregularity' would be levied as applicable for each established irregularity separately. (e.g. if 'Critical' (Not leading to termination), two major and two minor irregularities are observed in one instance, then the total fine levied will be 40% of Average Monthly Distributor Commission (AMDC), being the maximum fine applicable for the 'Critical' irregularity established in that instance).

In case of any irregularity leading to termination, quantum of penalty for all irregularity observed will be collected. Further, the distributor will also have to pay compensation to the customer as applicable to each established case of irregularity.

3.4 The cycle for calculating instances of irregularities shall be two years from the date of the report of inspection / investigation. In other words, if an irregularity is established and recorded in an inspection report, based on the date of the said inspection report, the records of the preceding 2-year period from this date will be seen to determine whether the present irregularity is the first, second, third instance etc. of that category of irregularity (Critical, Major & Minor).

Irregularities of period prior to the inspection / investigation but detected subsequently will be treated as part of the same instance and penalty / quantum will be imposed /recovered as supplementary. In case the nature of irregularity undergoes change because of additional quantum of irregularity established (e.g. number of unaccounted cylinders sold detected in original inspection was 80 and subsequently unaccounted sale of another 35 cylinders in period before the original MDG action is detected, thus adding up to 115 cylinders, the nature of irregularity will change from 'Minor' to Major'). In such cases the instance will be converted accordingly to 'Major' and difference of the fine as applicable will be recovered along-with additional quantum of penalty.

3.4.1 Instances of irregularity for each category (Critical, Major & Minor) established during inspections/investigations shall be counted separately.

3.4.2 If the instance of irregularity is only of one category, it will be counted as 1st instance of the said category provided there is no established irregularity of same category in the preceding 2 years.

3.4.3 In case multiple categories of irregularities are established during one instance of inspection/investigation, it will be counted as 1st instance of each established category of irregularity provided there is no established irregularity of same category in the preceding 2 years.

For example:

- a) During the first instance all the 3 categories of irregularities i.e. Critical, Major & Minor are established, then in such case the instance shall be considered as 1st Critical, 1st Major and 1st Minor but the fine will be levied as applicable for 1st Critical and the quantum for all irregularities and compensation to the customer as applicable to the irregularities detected. Next instance (within 2 years of 1st Instance) of established Major & Minor categories of irregularities shall be considered as 2nd Major and 2nd Minor and the fine will be levied as applicable for 2nd instance of Major irregularity and the quantum for all irregularities and compensation to the customer as applicable to the irregularities detected . Any subsequent instance (within 2 years of 1st Instance) of established minor category shall be considered as 3rd Minor and fine will be levied as applicable for 3rd instance of minor irregularity and the quantum for all irregularities and compensation to the customer as applicable to the irregularities detected.
- b) During the first instance, major and minor categories of irregularity are established, then in such case the instance shall be considered as 1st Major and

1st Minor but the fine will be levied as applicable for 1st instance of Major irregularity and the quantum for all irregularities and compensation to the customer as applicable to the irregularities detected.

Subsequently next instance (within 2 years of 1st Instance) of established Critical & Minor categories of irregularity shall be considered as 1st Critical and 2nd Minor but the fine will be levied as applicable for 1st instance of critical irregularity and the quantum for all irregularities and compensation to the customer as applicable to the irregularities detected.

Subsequently next instance (within 2 years of 1st Instance) of only minor category of irregularities shall be treated as 3rd Minor and fine will be levied as applicable for 3rd instance of minor irregularity and the quantum for all irregularities and compensation to the customer as applicable to the irregularities detected.

Scenarios/Examples:

If there are 3 established cases of major irregularities in 2 years and again another instance of irregularity is established which is of Critical category then instead of Fine for 1st Critical category of irregularity, the action as per 4th major instance of irregularity should be levied i.e. the distributorship will be terminated along with quantum and compensation to customers.

Action in the various instances shall be as under:

Instance	Category of irregularity	Action
1 st	Critical	As applicable for 1 st instance of Critical
2 nd	Critical	Termination as applicable for 2 nd instance of Critical.

Instance	Category of irregularity	Action
1st	Critical & Major	As applicable for 1st instance of Critical
2nd	Major	As applicable for 2nd instance of Major
3rd	Major	As applicable for 3rd instance of Major
4th	Major	Termination (as applicable for 4th Major)

Instance	Category of irregularity	Action
1st	Major	As applicable for 1st instance of Major
2nd	Major	As applicable for 2nd instance of Major
3rd	Major	As applicable for 3rd instance of Major
4th	Critical/Major	Termination (as applicable for 4th Major)

In case of a vice versa situation, the treatment / punishment will be as follows:

Instance	Category of irregularity	Action
1st	Major	As applicable for 1st instance of Major
2nd	Major	As applicable for 2nd instance of Major
3rd	Critical & Major	As applicable for 1st instance of Critical
4th	Critical & Major	Termination (as applicable for 2nd Critical)

Like-wise, in the following examples, the punishment is detailed below:

Instance	Category of irregularity	Action
1st	Critical & Major	As applicable for 1st instance of Critical
2nd	Major	As applicable for 2nd instance of Major
3rd	Major	As applicable for 3rd instance of Major
4th	Critical & Major	Termination (as applicable for 2nd Critical)

Instance	Category of irregularity	Action
1st	Critical	As applicable for 1st instance of Critical
2nd	Major	As applicable for 2nd instance of Major
3rd	Major	As applicable for 3rd instance of Major
4th	Critical & Major	Termination (as applicable for 2nd Critical)

Similarly

Instance	Category of irregularity	Action
1st	Major & Minor	As applicable for 1st instance of Major
2nd	Minor	As applicable for 2nd instance of Minor
3rd	Major & Minor	As applicable for 2nd instance of Major
4th	Minor	As applicable for 4th instance of Minor

Instance	Category of irregularity	Action
1st	Major	As applicable for 1st instance of Major
2nd	Minor	As applicable for 2nd instance of Minor
3rd	Major	As applicable for 2nd instance of Major
4th	Minor	As applicable for 4th instance of Minor

Instance	Category of irregularity	Action
1st	Major	As applicable for 1st instance of Major
2nd	Minor	As applicable for 2nd instance of Minor
3rd	Major	As applicable for 2nd instance of Major
4th	Major & Minor	As applicable for 3 rd instance of Major

Instance	Category of irregularity	Action
1st	Critical	As applicable for 1st instance of Critical
2nd	Major & Minor	As applicable for 2nd instance of Major
3rd	Major & Minor	As applicable for 3rd instance of Major
4th	Minor	As applicable for 4th instance of Minor

Instance	Category of irregularity	Action
1st	Minor	As applicable for 1st instance of Minor
2nd	Critical	As applicable for 1st instance of Critical
3rd	Major	As applicable for 2nd instance of Major
4th	Minor	As applicable for 4th instance of Minor

Instance	Category of irregularity	Action
1st	Critical	As applicable for 1st instance of Critical
2nd	Minor	As applicable for 2nd instance of Minor
3rd	Major	As applicable for 2nd instance of Major
4th	Minor	As applicable for 4th instance of Minor

3.5 Once these guidelines are made effective, the earlier cases of irregularities will remain in the same categories as applicable under preceding MDG(s) and shall be counted within the cycle period of 2 years under the current MDG.

3.6 Process of imposition of action:

In respect of all cases of irregularities, a show cause notice will be issued by the concerned Divisional LPG Head (DLH)/Territory Manager (TM)/Regional Manager (RM) to the Distributor, within 30 days from the date of report of inspection/ investigation, indicating all the irregularities. The show cause notice should be issued along with all reports and other documents, etc. which forms the basis of the notice.

However, in case of minor irregularities as mentioned under Clause No. 2.2.10, 2.2.11, 2.2.12(iv,v,vi), 2.2.13 & 2.2.17, the concerned Divisional LPG Head(DLH)/ Territory Manager (TM)/Regional Manager (RM) will first advise the distributor in writing to take necessary corrective action for immediate rectification of the deficiencies observed thereof. While advising the distributor in this regard, the concerned Divisional LPG Head (DLH)/ Territory Manager (TM)/ Regional Manager (RM) will provide Fifteen days from date of letter/mail for removing the deficiency/shortcomings. In case the distributor fails to rectify the shortcomings within the given time frame, then further actions will be initiated as mentioned in Clause No. 3.2 hereinabove.

3.7 The Distributor would be given a period of 15 days to reply from the date of receipt of show cause notice. Based on the request from the Distributor, the concerned Divisional LPG Head/Territory Manager/Regional Manager may allow additional time extension(s) upto a maximum period of 30 days beyond the period of 15 days from date of receipt of show cause notice for submitting the reply.

3.8 Upon receipt of the reply to the show cause notice, the concerned Divisional LPG Head/Territory Manager/Regional Manager will review the charges leveled in the Show cause notice and the reply received and then pass a speaking order within a period of 45 days from the date of receipt of the reply. The speaking order issued by DLH/TM/RM shall indicate complete details of the irregularities committed, the reply of the Distributor, detailed reasons as to why the reply is not acceptable and the penal action attracted. The speaking order will also clearly specify a time period

of 30 days for depositing the amount of fine/quantum of irregularity, if applicable to the concerned OMC. However, in cases where authority for imposition of action rests with higher offices {detailed below in Para 3.10(1)}, the approval for taking action under MDG shall be taken prior to the issuance of above mentioned speaking order. In case of Termination, Termination letter itself to be treated as speaking order.

3.9 The concerned LPG Head of State office/Regional office/Zonal office, before recommending the termination of Distributorship other than SC/ST category, will provide a personal hearing to the signatories to the Distributorship Agreement. In case of SC/ST distributorships, the personal hearing will be given by the State Head in case of IOC & by ED (LPG) at HQ level in case of BPC/HPC. If all the signatories are not able to attend the personal hearing, the signatories attending the personal hearing should have the authority letter from other partners. Additionally, if the distributor, so desires, he can bring along a co-Distributor for the personal hearing. In case if the signatories to the Distributorship Agreement fail to attend the hearing on an appointed date, one more chance may be given and after that, case may be processed ex parte based on available facts.

3.10 **Authority for imposition of action to be taken:**

1. For all LPG distributorships other than SC/ST category, State Head/ Regional Head/Zonal Head of IOC, BPC and HPC respectively will approve the action of termination. In respect of SC/ST category Distributorships, termination will be approved by the Director Marketing of the OMC.
2. In all other cases of critical & major irregularities not leading to termination and minor irregularities, the approving authority would be the Head of Divisional /Territory/Regional office of IOC, BPC and HPC respectively.

3.11 **Appellate proceedings:**

1. In all cases of critical and major irregularities where orders are issued for taking action under MDG, the Distributor will have the right to appeal within a period of 30 days from the date of receipt of order to the appropriate authority who will be empowered to decide the matter. The appellate authority shall dispose off the appeal within 60 days from the date of filing of the appeal.
2. The appeal in case of regular LPG distributorship would be allowed only after the amount equivalent to 25% of fine/ quantum of irregularity as levied or Rs. **10 lacs**, whichever is lower, has been deposited by the Distributor with the OMC.

Appeal in case of Durgam Kshetriya Vitarak (DKV) shall be allowed only after

10% of fine/ quantum of irregularity as levied or Rs. **1 lac**, whichever is lower, has been deposited by the distributor with the OMC.

In case the verdict on the appeal goes in favour of the distributor, the OMC shall refund the amount as applicable without interest after the disposal of the appeal. However, in case the appeal is rejected, the distributor will have to deposit the balance amount of fine /quantum of irregularity as levied to the concerned OMC within 30 days from the date of disposal of the appeal.

3. In the case of termination of the LPG distributor other than SC/ST category, the appellate authority will be the ED (LPG) in the Head Office of the respective OMCs. In the case of termination of SC/ST category distributorship, the appellant authority will be Director (HR) of the OMC
4. For all appeals in case of critical and major irregularities not leading to termination, the appellate authority will be LPG Head of the State/Region/Zone of IOC, BPC & HPC respectively for both SC/ST and Non SC/ST category distributorships.



DELIVERY CONTROL**4.1 Targeted Delivery Time Norms**

- i) The distributor will have to deliver the cylinder within the "Targeted Delivery Time" (TDT).
- ii) Delivery time would be the time between the booking date and the delivery date.
- iii) The TDT performance envisages rating of distributors based on the quarterly performance of the Financial Year (Q1:Apr-Jun,Q2:Jul-Sep,Q3:Oct-Dec,Q4:Jan-Mar) with respect to delivery time as per the following categories :
 - 5 Star = >85% delivery in < =2 day 'Excellent'
 - 4 Star = >85% delivery in < =4 days 'Good'
 - 3 Star = >85% delivery in < = 6 days 'Average'
 - 2 Star = >85% delivery in < = 8 days 'Below Average'
 - 1 Star >15% delivery in > 8 days 'Poor'
- iv) The distributor should ensure that the distributorship operation is not rated with '1' Star, i.e. 'Poor' rating and '2' Star, i.e. 'Below Average' rating in a quarter, failing which action shall be taken as defined in clause No. 4.2 below.
- v) Relevant information regarding the TDT performance will be available on the Portal of the respective OMCs.
- vi) Once these guidelines are made effective, the earlier cases related to TDT norms will remain the same as applicable under preceding TDT norms and shall be counted within the cycle period of Four Quarters under the current MDG.
- vii) Applicable statutory taxes will be recoverable over and above the amount of fine/penalty etc.

4.2 Action to be taken for not meeting TDT norms

- i) In case of newly commissioned distributors, the TDT norms will become effective from the third quarter following the quarter in which the distributorship is commissioned. (For ex. If any distributor is commissioned in 1st quarter of the financial year then TDT norms will be applicable for such distributors from the 4th Quarter of the financial year)
- ii) The TDT compliance norms will not be applicable to the distributor in case the delivery of cylinder to customers is affected due to circumstances beyond control viz. natural calamities, strikes/ bandhs, law & order situation, Government directives, product availability/supply constraints with OMCs etc.
- iii) The information regarding the TDT performance available on the Portal of the

respective OMCs will be taken into consideration along with the actual situation with regard to the supplies of LPG.

iv) **Action against Distributors performing at "Poor" rating:**

- (a) In all established cases wherein a distributor performs at "Poor" rating during any quarter, a fine equivalent to 20% of AMDC as defined in Chapter-6 shall be imposed.
- (b) In all established cases wherein a distributor performs at "Poor" rating during any quarter subsequent to (a) above within previous 4 quarters, a fine equivalent to 30% of AMDC as defined in Chapter-6 shall be imposed on every instance of "Poor" performance rating.

v) **Action against Distributors performing at "Below Average" rating:**

- (a) In all established cases wherein a distributor performs at "Below Average" rating during any quarter, a fine equivalent to 10% of AMDC as defined in Chapter-6 shall be imposed
- (b) In all established cases wherein a distributor performs at "Below Average" rating during any quarter subsequent to iv(a) or v(a) above within previous 4 quarters, a fine equivalent to 20% of AMDC as defined in Chapter-6 shall be imposed on every instance of "Below Average" Performance rating .

- vi) Action for not meeting the TDT norms as given above shall be taken independent of the actions as stated in Chapter 3 which are applicable for different type of Irregularities (described in Chapter 2).
- vii) In respect of all established cases of not meeting the TDT norms as mentioned above at clause No. 4.2- (iv) & (v), a show cause notice will be issued by the concerned Divisional LPG Head (DLH) /Territory Manager (TM)/ Regional Manager (RM) to the Distributor, within 30 days from the completion of preceding quarter. The show cause notice should be issued along with the relevant report(s) from the OMC portal which forms the basis of the notice.
- viii) The Distributor would be given a period of 15 days to reply from the date of receipt of show cause notice. Based on the request from the Distributor, the concerned Divisional LPG Head/Territory Manager/Regional Manager may allow additional time extension(s) upto a maximum period of 30 days beyond the period of 15 days from date of receipt of show cause notice for submitting the reply.
- ix) Upon receipt of the reply to the show cause notice, the concerned Divisional LPG Head/Territory Manager/Regional Manager will review the charges leveled in the

Show cause notice and the reply received and then pass a speaking order within a period of 45 days from the date of receipt of the reply. The speaking order issued by DLH/TM/RM shall indicate complete details of the non-compliance to the TDT norms, the reply of the Distributor, detailed reasons as to why the reply is not acceptable and the penal action attracted. The speaking order will also clearly specify a time period of 30 days for depositing the amount of fine as applicable to the concerned OMC.

4.3 Authority for imposition of action to be taken for not meeting TDT norms:

- i. In all cases where the penalty is imposed in the form of fine, the Head of Divisional /Territory / Regional office of IOC, BPC and HPC respectively will approve the action.
- ii. In case it is evident that the Distributors are not meeting the TDT performance owing to circumstances beyond control viz. natural calamities, strikes/ bandhs, law & order situation, Government directives, product availability/supply constraints with OMCs etc, action to be taken as under:
 - (a) The Field officer should recommend in writing to the Head of Divisional /Territory / Regional office of IOC, BPC and HPC respectively the reasons/events due to which action is not warranted against such distributors. While giving the recommendations, the Field Officer must also ensure to verify the facts related to supply issues, if any from the Bottling Plant.
 - (b) The Head of Divisional / Territory / Regional office of IOC, BPC and HPC respectively should accord approval on the recommendations of the Field officer as to why the action is not warranted. Such records to be maintained in the Distributor's file.

General Guidelines

- i) The above are general guidelines. The competent Authority of the concerned Oil Company can however take appropriate higher action against the erring Distributor, if deemed necessary including termination in the first or any instance in line with the provisions of the Distributorship Agreement.
- ii) All cases of irregularities need to be established before any action is taken against a Distributor. While carrying out inspection/investigation, the investigating officer will collect documentary evidence, circumstantial evidence including written statements/feedback and other material which will help in establishing the irregularity. Every action would be taken only after a show cause notice is issued and giving the Distributor the minimum prescribed time to submit his explanation.
- iii) Counseling of the distributor to be done by the Officer(s) must be communicated through a warning cum guidance letter.
- iv) In case the exact date from which the irregularity has commenced could not be ascertained the same shall be limited to maximum period of 1 year preceding the date of report of the inspection / investigation.
- v) Under existing laws, Control Orders of various authorities of Central Government/State Government – in addition to Oil Company Officers – are empowered to carry out checks of the Distributorship for determining and securing compliance with such laws/Control Order. If any “malpractice or irregularity” is established by such authorities after checking, the same would also be taken as a “malpractice or irregularity” under these guidelines and prescribed punitive action would be taken by the Oil Company, on receipt of advice from such authority. In the meantime, if the oil company on its own detects a malpractice / irregularity of the same nature; action is to be taken under MDG independent of the case pending with the Government Authority.
- vi) Wherever fine including quantum of irregularity is not paid within specified period, it will be recovered from the distributors account with the OMCs under intimation to the distributor.

Definition of various Terms:

- (a) **Spurious LPG cylinder** (2.1.4 & 2.2.3):
Cylinders which are not conforming to the specifications laid down in IS 3196 and not meeting the norms as given in LP Gas Manual applicable to OMCs.
- (b) **Spurious Pressure Regulator** (2.1.4 & 2.2.3):
Pressure Regulators which are not conforming to the specifications laid down in IS 9798 and not meeting the norms as given in LP Gas Manual applicable to OMCs.
- (c) **Ineligible LPG Connection** (2.1.3 & 2.2.2):
Ineligible means any of the followings:
- More than one domestic LPG connection provided to a person/consumer/'Household' ['Household' as defined in Liquefied Petroleum Gas (Regulation of Supply and Distribution) Order, 2000 as amended on 10th September 2009 and any further amendments thereto notified by Government].
 - Release/installation of connection at non existing addresses.
 - LPG connection released in contravention of the Distributorship Agreement and/or any OMCs guideline in vogue.
- (d) **Delivery Vehicle** (2.1.2 & 2.2.1): Any vehicle, as specified in the Gas Cylinder Rules, 2004, which is put into service by the Distributor for transporting and distributing/delivering LPG cylinders to the registered customers.
- (e) **Unapproved / unauthorized non-home delivery of Refill supplies** (2.1.15 & 2.2.24): Ex-Godown /Point Delivery of LPG cylinders made without written authorization by the OMCs excluding to those 'cash and carry' customers residing outside the area of operation of the distributor and have furnished an undertaking for taking ex-Godown refill deliveries.
- (f) **Penal Rate (Chapter 3)**: The rate fixed by OMCs from time to time for recovery against spurious/shortage of cylinders / domestic Pressure Regulators loaned to the LPG distributors.
- (g) **AMDC (Average Monthly Distributors Commission) (Chapter 3&4)**
Average monthly distributor's commission is to be calculated on sale comprising of subsidized & non-subsidized domestic LPG in 14.2 kg & 5 kg cylinders including sale to Non-domestic exempted category customers for the preceding one year from the month of detection of irregularity and in case of TDT the sale for previous 4 quarters will be considered for calculation of AMDC
