

**7/5/2018**

**NOTICE INVITING EXPRESSION OF  
INTEREST FROM INTERESTED BUSINESS  
ASSOCIATES FOR EXECUTION OF  
PROJECTS UNDER THE RETAIL  
BUSINESS DIVISION OF HLL**

**EOI NO: HLL/CHO/RBD/PROJECTS/2018-19/02**

**HLL LIFECARE LTD,  
CORPORATE OFFICE,  
HLL BHAVAN, POOJAPPURA,  
THIRUVANANTHAPURAM- 695012  
Ph.: 0471- 2354949**

**HLL/CHO/RBD/PROJECTS/2018-19/02**

**05<sup>th</sup> July 2018**

**Important dates**

Date of opening Notice Inviting EOI	<b>05-07-2018 10.00 Hrs.</b>
Last date for submission of the application	<b>26-07-2018 15.00 Hrs.</b>
Date & Time of Opening Eoi	<b>26-07-2018 16.00 Hrs.</b>
Venue of opening Eoi	<b>Application submission Address</b>
EOI Application Money *	<b>Rs. 5000/-</b>
Earnest Money Deposit (EMD)	<b>Rs. 5,00,000/- Per state (Details in Document)</b>
Scrutiny and selection of applicants, Opening of Price Bid & Issue of Letter of Intent etc.	<b>Will be notified separately</b>
Address for submission of Applications	<b>Associate Vice President (RBD), HLL Lifecare Limited, Corporate Head Office, HLL Bhavan, Poojappura, Trivandrum 695012 Ph.: 0471-2354949 Email:benny_joseph@lifecarehll.com</b>

\* EOI application money & EMD shall be submitted as a demand draft favoring “**HLL Lifecare Ltd**” payable at **Thiruvananthapuram**

## Background

**HLL Lifecare Limited (HLL)** is a public sector undertaking, incorporated in the year 1966, under the administrative control of the Ministry of Health & Family Welfare, Government of India. HLL's purpose of business is "to be a globally respected organization focusing on inclusiveness by providing affordable and quality healthcare solutions through continuous innovations". In its quest to become a comprehensive healthcare solutions provider, HLL had diversified into healthcare services, while nurturing its core businesses in reproductive health.

In 2016, under its services business segment, HLL Lifecare Ltd. ventured into the pharma retailing with the formation of a **Retail Business Division (RBD)**. The division operates pharmacy retail chain providing quality pharmaceuticals, medicines and implants to the common man at affordable prices.

RBD of HLL have plenty of opportunities in hand and a promising future. The division have been witnessing a massive expansion in the past two years with the Govt. of India aggressively promoting AMRIT Pharmacies across India.

To fuel the ambitious plans for a rapid expansion, RBD proposes to engage interested Business Associate (BA)/s, for investment and efficient operations of their RBD centers.

## Objective of this Expression of Interest (EOI)

RBD invites Expression of Interest (EOI) from competent Business Associates (BA) who are willing to invest in RBD projects on the following terms and conditions detailed herein.

The RBD projects are basically retail chain of pharmacies dispensing drugs & pharmaceuticals, surgical and surgical implants etc.

## Why invest in Retail Pharmacy Chains

With an increase in the average life span, changing lifestyle conditions and access to healthcare facilities, there is an increasing demand for health care products such as medicines, surgical items and wellness products and services across the country. As per the market surveys, the current size of the Indian pharmacy market is about Rs. 80,000 Crores and is expected to cross Rs. 160,000 Crores by year 2020. The retail pharmacy

industry is expected to grow around 20% year on year with organized pharmacies increasing their market share to around 30% of the market by 2020.

In today's scenario, independent pharmacists face a lot of competition from organized chain pharmacies, the strong online market segment and also there's a changing nature in the community pharmacy where the margins are being squeezed.

### Why invest in Retail Pharmacy Chains of HLL

Any Business associate willing to invest in the pharmacy operations having suitable experience and investment capacity can venture into pharmacy retailing of HLL so as to:

- Be part of a noble venture of the Government of India where the most affordable medicines are made available to the common man
- Be part of an established pharmacy chain yielding profit even with the slightest margin
- Gain experience with HLL in setting up of new pharmacies and in operating them.

### The Business Proposal

1. For the purpose of this Expression of Interest (EoI), the RBD Centre's(Pharmacy) are classified as under:

<b>Centre Category</b>	<b>A</b>	<b>B</b>	<b>C</b>
Operating Hours	24	12	8

\*For centres under B & C category the operating hours mentioned above is the minimum and interested Business Associate can have extended working hours

2. The new centers shall be opened by HLL mainly in association with State & Central Governments and other institutions in their hospital campuses, public spaces etc.
3. Existing centres under category B & C in Clause.1 which are already in operation by HLL may also be allotted to Business Associates at the sole discretion of HLL.
4. The business at centers located at hospitals shall be predominantly a cash and carry model. The Centers would also have to cater to the requirements of hospital schemes/insurance schemes of the Government wherein the medicines may have

to be provided to hospitals against prescriptions of in-patients or patients under different aided schemes, and the center would have to seek reimbursement of such bills subsequently from the hospital. The average ratio of Cash to Credit is estimated to be in the range of 75:25 which may vary depending on the centre's business profile.

5. In public spaces (other than hospitals), the same would be mostly on a cash and carry basis.

## **Role & Responsibilities of HLL and the Business Associate (BA)**

### **Roles and Responsibilities of HLL**

#### **A. HLL's role for new centres**

1. HLL would provide standardized layout, branding and the material specifications as may be required for setting up of Pharmacy
2. HLL would obtain the requisite Licenses/approvals under its brand name for operating the Pharmacy. For the purpose, necessary Pharmacist would be engaged by HLL under its rolls.
3. HLL would provide an integrated software for Billing and inventory management, the cost of which (approx. Rs.25000/- per license) had to be borne by the Business Associate

#### **B. HLL's role for existing centres under Category B & C**

1. HLL may allot those pharmacies which are already in operation to the prospective empaneled Business Associate and who shall evince interest on the same.
2. HLL shall collect all the outstanding credit bills till the date of agreement.

#### **C. General Roles & Responsibilities of HLL**

1. HLL would supply the medicines, surgicals, implants and other OTC products as may be required for supply, based on the indents raised by the Business Associate from each Centre

2. HLL would open a dedicated Bank account for collection of Sale proceeds
3. HLL shall determine the **selling rate** of items sold from the Centre. As per HLL estimates, the Business Associate can expect an average contribution (Net Selling price- Cost of Goods) ranging **14-18%** on the Net selling price, which means that the product wise margins would range from **03-35%** depending on the products on sale.
4. HLL would share the mutually agreed share of revenue payable to the Business Associate on a monthly basis, within 15 days from the expiry of the month

## **Roles and Responsibilities of Business Associate (BA)**

### **A. BA's role for new centres**

1. BA shall setup the center at their own cost, as per the HLL specifications of layout, branding and other material specifications.
2. BA shall operate and maintain the Centre as per the terms of the Contract agreement signed between HLL and BA and would comply to all the rules and regulations in force.

### **B. BA's role for existing centres under Category B & C**

1. BA shall reimburse to HLL the book value of the Capital expenditure (as per Indian Accounting Standards) incurred by HLL in setting up the centre.
2. The available stock at the centre as on date of take over shall be valued at cost of purchase and BA shall deposit an amount equivalent to the same as security deposit.

### **C. General Roles & Responsibilities of BA**

1. For operating the Centre, over and above the appointed HLL Pharmacists, requisite qualified staff shall be engaged by BA under their rolls.

2. BA shall do the business solely through the integrated software for Billing and inventory management provided by HLL and the cost of the same (approx. Rs.25000/- per license) had to be borne by the Business Associate
3. BA shall compulsorily procure all items that may be required for sale at the Centre from HLL by placing indents well in advance to HLL's sourcing division. For the purpose, BA shall remit to HLL a cash deposit equivalent to their 1-month stock requirement/ or such Cash deposit as demanded by HLL for providing the initial stock.
4. Further replenishment of stock shall be subject to the Cash deposit made available in HLL account, less a retention money at a percentage of the Gross Sales till date (which shall be determined upon mutual agreement while entering into a formal agreement), for the purpose of monthly settlement of monies between the parties.
5. Daily Sales & Collection proceeds shall be remitted on the next Bank working day to the designated Bank account opened by HLL for the purpose
6. BA must mandatorily comply to the HLL pricing policy and shall do sales strictly at those selling rates as determined by HLL from time to time.
7. BA shall be responsible for all the operational expenses of the centre
8. BA shall also maintain warehouses, if required, in case he is awarded multiple centres/clusters.
9. BA at the end of the month, shall submit the monthly consolidated statement of Sales, Receivables and the Stock of Inventory as may be required for settling the accounts by HLL
10. BA shall be responsible for Sales, Business Development and Collection of receivables from those Institutions. BA shall also be the custodian of the assets and inventory at the centre and hence shall be responsible for the upkeep of the same as well as close monitoring of stocks to avoid expiry of the same. BA shall inform and return the goods to HLL such stocks, which are non-moving or which are due to expire in the next 90 days. The credit for the same shall be passed to

the BA, based on the credit note received by HLL, for the same goods from its suppliers. However, in no case expired goods shall be accepted by HLL

11. BA shall obtain a valid GST registration before the commercial operation of the allotted centres

## Bidding Details

1. The Bid Validity period of this EOI for the purpose of commencement of new centres shall be five years. Once the project commences then the terms of agreement signed between HLL and the successful bidder shall prevail.
2. The prospective bidders would be permitted to quote center/cluster wise, geographical area wise etc. as per the bidder's preference.
3. If RBD gets permission to open multiple centres in a state or location, then HLL shall at its discretion segregate those centers into clusters of 5, 10, 15 or 20 as the case may be depending upon the investment requirements per cluster.
4. The number of centers/clusters allotted to the bidder, shall be determined by HLL based on the bidder's financial capacity, past performance and bidder's willingness to operate.
5. Bidders would be asked to quote a "**Rate percentage of Revenue (Gross Sales)**" which they would like to share with HLL. This rate percentage shall be their Bid quote.
6. HLL shall specify a "base rate" based on its internal estimates of profitability and business projections. Bidders will have to quote a rate higher than the base rate.
7. The bidder who quotes the highest percentage rate would be the **H1** party.
8. In case of multiple bidders for the same center/cluster, and if the successful H1 bidder relinquishes their right for the allotment, then HLL shall allot the same in the order of H2, H3, H4 etc. who shall be willing to operate at a rate equivalent to the negotiated final H1 rate.
9. In case a new center comes up for opening during the validity of EOI, then HLL shall allot the same to H1 bidder who are empaneled through this EOI and interested to



operate the same. However, if the H1 bidder relinquishes their right for allotment, then HLL shall allot the same in the order of H2, H3, H4 etc. who shall be willing to operate at a rate equivalent to the negotiated final **H1** rate.

10. The bidders are required to invest in the project through a Contract agreement signed by HLL and the bidder.

11. **Earnest Money Deposit (EMD):** The bidders are requested to submit an EMD of Rs.5,00,000/- (Rupees Five lakh only) each for every state they intend to submit their price bid. The EMD shall be submitted by way of Demand draft (DD) favoring M/s. HLL Lifecare Ltd. drawn on any scheduled commercial bank and payable at Thiruvananthapuram. The EMD DD shall be valid for a minimum period of 6 months from the date of submission. EMD shall not carry any interest and would be returned to unsuccessful bidders after finalization of the successful bidders for each state. EMD of successful bidders shall be converted into Cash deposit payable by the Business associate once the project commences.

If the project does not commence within 6 months of bid finalization, then the successful bidders, if they wish to retain their bid validity, then they shall either retain the EMD with HLL or shall submit a Bank Guarantee of Rs.5 lakhs in lieu of the EMD submitted and seek refund of the EMD amount.

12. The contribution of sales as defined earlier will be adjusted in the following priority as under;

- a) HLL's monthly expenditures on operating the project
- b) Share of revenue to be paid to HLL as per the price bid/agreement
- c) Left over balance amount of cash in the account shall include Cost of Goods and the share eligible to the Business Associate, which shall be payable only on demand by the BA

## Eligibility Criteria

1. The bidder should be a firm having sufficient work experience (**At least 3 years**) in the field of pharmaceutical retail or in pharma distribution

2. The bidder should have the financial capacity to invest in setting up the center and pay the requisite Security Deposit
3. The bidder should have sufficient qualified manpower under their disposal for engaging in the project
4. Bidder firms should have an average turnover of **Rs.15 (Fifteen) Crore** in the past three years.

### **Contract agreement- Terms and Conditions**

1. **Contract agreement:** HLL and the Business Associate shall sign a contract agreement prior to the setting up and operations of the center. The same shall detail the terms and conditions, under which the successful bidder (Licensee) shall conduct the business
2. **Term:** The Period of Contract agreement between HLL and the Business Associate shall be the period of the MoU signed by HLL with the respective Hospital, in case the outlet is opened inside hospital premises. If the MoU between HLL and the hospital is renewed then, the agreement between HLL and Business Associate shall be renewed further, on the revised terms and upon satisfactory performance of the Business Associate. However, such renewals shall be solely at the discretion of HLL.

In the case of public outlets outside hospitals, the period of agreement shall be for a period of maximum **5 years** and renewable upon mutual consent

### **3. Penalties, Exit & Termination:**

- a) In the event of violation of the terms and conditions of the agreement, subject to the gravity of such violations, HLL reserves the right to impose a penalty as deemed fit on the BA and BA shall comply with the same. If there are repeated instance of violations, then the same shall amount to the termination of the agreement.
- b) HLL shall have the right to exercise exit of this Contract agreement, without assigning any reason, at any point of time, through a due notice of 3 months, by paying the book value of the initial capital investment made by the BA on the

centre, for which the book value calculation methodology shall be as per the relevant accounting standards.

- c) HLL reserves the right to terminate this contract under due notice, in case of any violation of the terms and conditions of the contract by the BA. In such an event, HLL would take possession of the center and the BA shall not have any claim whatsoever on HLL. The paid up stocks belonging to the BA should be cleared from the centre before the termination date.

### Documents to be submitted

The Applicant should submit the following documents in hard copies in sealed envelope superscribed “**EOI No:HLL/CHO/RBD/PROJECTS/2018-19/02**” while submission of application:

1. Complete Profile of the Prospective Business Associate
2. Copies of Certificates establishing Eligibility criteria, Registration of the firm, Educational qualifications of the promoter
3. Financial status of firms: Audited balance sheet and Income statement duly signed by the statutory auditors and the authorised signatories in case of firms/companies
4. PAN / Aadhar details of the bidder
5. Certified copies of documents submitted, as above, must be duly signed with seal
6. Price bid in a separate **sealed envelope** as per Price Bid format enclosed. The price bid shall only be opened, if the bidder qualifies the EOI and is empaneled as a Prospective Business Associate.

### Dispute Resolution:

#### **Arbitration:**

In case of any dispute or differences arising out of this Tender, then the same shall be settled amicably between the parties. If such dispute or differences does not get resolved within 30 days from the date of commencement of such discussion, then the same shall be referred to a Sole Arbitrator under the provisions of the Arbitration & Conciliation Act, 1996. Venue of such arbitration shall be Thiruvananthapuram. Proceedings of the Arbitration shall be in English and the Award of the Sole Arbitrator shall be final and binding upon the Parties.

### **Jurisdiction:**

Subject to the Arbitration clause mentioned herein above any dispute arising out of this Tender shall fall under the exclusive jurisdiction of the Courts at Thiruvananthapuram.

### **FORCE MAJEURE**

If, at any time, during the continuance of this Contract agreement, the performance in whole or in part by either party of any obligation under this Contract agreement is prevented or delayed by reasons of any war or hostility, acts of the public enemy, civil commotion, sabotage, fires, floods, explosions, epidemics, quarantine restrictions, strikes, lockouts or act of God (hereinafter referred to as events) provided notice of happenings of any such eventuality is given by either party to the other within 21 days from the date of occurrence thereof, neither party shall by reason of such event be entitled to terminate this Contract agreement nor shall either party have any claim for damages against other in respect of such non-performance or delay in performance, and deliveries under the Contract agreement shall be resumed as soon as practicable after such an event come to an end or cease to exist, and the decision of the HLL as to whether the deliveries have been so resumed or not shall be final and conclusive. Further that if the performance in whole or part of any obligation under this Contract agreement is prevented or delayed by reasons of any such event for a period exceeding 60 days, either party may, at its option, terminate the Contract agreement.

Provided, also that if the Contract agreement is terminated under this clause, the HLL shall be at liberty to take over from the Business Associate at a price to be fixed by the HLL, which shall be final, all unused, undamaged and acceptable materials, bought out components etc. which may be in possession of the business associate at the time of such termination or such portion thereof as HLL may deem fit, except such materials, bought out components and stores as the business associate may with the concurrence of the HLL elect to retain.

## APPLICATION FORM

SI No.	Particulars	Details
1	Name of the Bidder	
2	Address	
3	Telephone No	
4	Fax	
5	PAN No, Aadhar No, CIN No (In case of company) details of the Associate	
6	Email	
7	Date of establishment of Bidder / Promoter Group	
8	Core area of expertise of the Bidder / Investor	
9	Name of Contact person:	
10	Designation	
11	Telephone No.	
12	Email	

### Price Bid Format

This is to certify that the undersigned had read and understood the Terms and conditions of this Expression of Interest. The undersigned also agrees to abide by the terms and conditions as aforesaid.

It is also agreed that the undersigned is eligible only for the percentage of Sales Revenue as quoted hereunder and no other charges/payments shall be receivable from HLL

Particulars	Center Category		
	A	B	C
Base rate specified by HLL [ % of Revenue (Gross Sales)]	<b>4%</b>		
Rate Percentage over Revenue (Gross Sales) offered by the Business Associate to HLL			

**(Signatures of Authorized signatory)**

Seal

Name.....

Designation.....

NB:

- 1) Bidders are requested to quote strictly below the ceiling rate fixed by HLL.
- 2) The highest rate quoted by the Bidder's shall be the H1 rate.
- 3) This Price Bid shall be submitted in a **sealed envelope** superscribed "**Price Bid - EO**  
**NO: HLL/CHO/RBD/PROJECTS/2018-19/2 dt. 5.07.2018**"