

5/3/2018

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

EOI NO: HLL/CHO/RBD/PROJECTS/2018-19/1

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

HLL/CHO/RBD/PROJECTS/2018-19/01

3rd May 2018

Important dates

Date of opening Notice Inviting EOI	03-05-2018 10.00 Hrs.
Last date for submission of the application	24-05-2018 15.00 Hrs.
Date & Time of Opening Eoi	24-05-2018 16.00 Hrs.
Venue of opening Eoi	Application submission Address
EOI Application Money *	Rs. 5000/-
Scrutiny and selection of applicants, Opening of Price Bid & Issue of Letter of Intent etc.	Will be notified separately
Address for submission of Applications	Associate Vice President (RBD), HLL Lifecare Limited, Corporate Head Office, HLL Bhavan, Poojappura, Trivandrum 695012 Ph.: 0471-2354949 Email:benny_joseph@lifecarehll.com

* EOI application money 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 2015, 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 divisions have been witnessing a massive expansion in the past two years with the Govt. of India aggressively promoting AMRIT Pharmacies across India. Recently RBD had received orders from many states and govt. Institutions one of which is the Govt. of Telangana (39 stores).

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

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 under a **Built, Operate & Transfer [BOT]** mode 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 with a 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 operating them.

The Business proposal

1. The centers shall be opened by HLL mainly in association with State Governments and other institutions in their hospital campus only.
2. For the purpose of this Expression of Interest (Eoi), the RBD Centre's(Pharmacy) are classified as under:

Centre Category	A	B	C
Estimated Business/day (INR) -Year 1	75000	40000	15000
Pharmacy (Approx. Area (in SFT)	450	300	200
Estimated Construction cost-Rs. Lakh/SFT	15.00	10.00	7.50
Operating Hours	24	12	8

3. 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.

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

Roles and Responsibilities of HLL

1. HLL would be the owner of the Centre and 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 had to be borne by the Business Associate
4. HLL would supply the medicines and other OTC products as may be required for supply, based on the indents raised by the Business Associate from each Centre
5. HLL would open a dedicated Bank account for collection of Sale proceeds
6. HLL shall determine the selling rate of items sold from the Centre
7. HLL would share the mutually agreed share of revenue payable to the Business Associate on a monthly basis, within 7 days from the expiry of the month

Roles and Responsibilities of Business Associate (BA)

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.
3. For operating the Centre, other than the HLL Pharmacists available, requisite qualified staff shall be engaged by BA under their rolls.
4. BA shall do the business solely through the integrated software for Billing and inventory management provided by HLL and the cost of the same had to be borne by the Business Associate
5. 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 security deposit as demanded by HLL for providing the initial stock. Further replenishment of stock shall be subject to the limit of Cash/Security deposit available with HLL
6. Daily Sales & Collection proceeds shall be remitted on the next Bank working day to the designated Bank account opened by HLL for the purpose
7. 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.
8. BA shall be responsible for all operational expenses of the Centre excluding the salaries of those pharmacists appointed by HLL.
9. BA shall also maintain warehouses, if required, and in case he is awarded multiple centres/clusters.
10. 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
11. BA shall be responsible for Sales, Business Development and Collection of receivables from Hospitals where the centre operates

Bidding Details

1. The prospective bidders would be permitted to quote center/cluster wise, geographical area wise etc. as per the bidder's preference.
2. If RBD gets business i.e. may be 10-20 centers per state, 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.

3. 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.
4. Bidders would be asked to quote a "rate percentage of revenue" which they would like to receive covering their investment, desired rate of return on their investment and their operational expenses. This rate percentage shall be their Bid quote.
5. HLL shall specify a "ceiling rate" based on its internal estimates of profitability and business projections. Bidders will have to quote a rate lesser than the ceiling rate.
6. The bidder who quotes the lowest percentage rate would be the L1 party.
7. In case of multiple bidders for the same center/cluster, HLL would reserve the right to allot centers/clusters to any of the bidders deemed fit, if they are ready to match the L1 quote. In such cases, bidders if any, of the locality, would be given a preference, subject to the discretion of HLL
8. In case a new center comes up for opening after closure of the EOI, then HLL shall allot the same to any bidders who are empaneled through this EOI and interested to operate the same. However, such bidders shall be willing to operate at a rate equivalent to L1 rate or better than the same. In such case, the allotment would be made to the bidder offering the best rate.
9. The estimated investment requirement per different type of centers, estimated revenue projections for different size of centers/business models is provided above. The same is only an estimate and actuals may vary as per location.
10. The bidders are required to invest in the project through a Contract agreement signed by HLL and the bidder, and the bidder shall be eligible for only the rate quoted as a "percentage of revenue" and no other expenses shall be payable to the BA.
11. The bidder should handover the fixed assets and inventory available at the center after 36 months free of cost to HLL. The stocks as on date of exit would be valued at cost and the equivalent amount would be refunded to the bidder from the Cash/Security deposit held by HLL.

Eligibility Criteria

1. The bidder can be an individual/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 firm 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 is **36 months** within which the BA would have to recover his investment and other operational expenses.
3. **Sales Revenue:** For the purpose of paying the percentage of revenue at the end of each month, the revenue shall be calculated on the basis of amount credited to HLL's account only. The Sales value thus calculated shall be excluding all taxes.
4. **Consignment Sale:** In the case of Goods sold at the centre on Consignment basis, mutually agreed "special rates" shall be applicable and the turnover equivalent to the sale on consignment basis shall be deducted from the computation of turnover eligible for revenue sharing.
5. **Renewal /Extension of Term:** Under normal circumstances, the contract proposed to be signed would not be renewed. However, in the event of renewal/extension of the

contract, the same shall be on fresh terms and conditions under a different revenue model as mutually agreed by the parties.

6. 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 at any point of time by paying a mutually agreeable rate of interest (Not more than **12%**) on the investment, which shall be determined at the time of signing the Contract agreement. For the purpose, the Investment would be calculated at Book value as on date of closure.
- 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 stocks therein and the BA shall not have any claim whatsoever on HLL. This clause shall be read along with clause 6 (a) above.

Documents to be submitted

The Applicant should submit the following documents in hard copies while submission of application:

1. Complete Profile of the Prospective Business Associate/Bidder
2. Copies of Certificates establishing eligibility criteria, Registration of the firm, Educational qualifications in case of individuals
3. Financial status of Individuals: Income Tax documents, Bank Deposits/Statements or other financial documents which can establish the financial standing of the bidder.
4. For firms: Audited balance sheet and Income statement duly signed by the statutory auditors and the authorised signatories in case of firms/companies
5. PAN / Aadhar details of the bidder
6. Certified copies of documents submitted, as above, must be duly signed with seal

7. 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 Supplier at a price to be fixed by the HLL, which shall be final, all unused, undamaged and acceptable materials, bought out components and stores in course of manufacture which may be in possession of the Supplier at the time of such termination or such portion thereof as the HLL may deem fit, except such materials, bought out components and stores as the Supplier may with the concurrence of the HLL elect to retain.

APPLICATION FORM

Sl 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
Ceiling rate specified by HLL	6.5%		
Expected rate percentage on the Sales Revenue credited in HLL's account			

(Signatures of Authorized signatory)

Seal

Name.....

Designation.....

NB:

- 1) Bidders are requested to quote strictly below the ceiling rate fixed by HLL.
- 2) The lowest rate quoted by the Bidder's shall be the L1 rate.
- 3) This Price Bid shall be submitted in a **sealed envelope** superscribed **“Price Bid - EOI NO: HLL/CHO/RBD/PROJECTS/2018-19/1 dt. 03.05.2018**