



**MAHANAGAR  
GAS**

## Details of CNG Retail Outlet Models

## **1.0 Introduction**

- 1.1 Mahanagar Gas Limited (MGL) is one of India's leading Natural Gas Distribution Company and is currently executing City Gas Distribution Project by establishing PNG networks and CNG Retail Outlets in and around Mumbai i.e. Greater Mumbai, Navi Mumbai, Thane, Mira Bhayander, Kalyan, Dombivali, Ambarnath, Badlpaur and entire Raigad District.
- 1.2 To meet the increasing CNG demand and to ensure availability of adequate CNG infrastructure, MGL has introduced various business models for setting up CNG Retail Outlets.

## **2.0 Types of CNG Retail Outlet Models**

- 2.1 The following approved business models are inter-alia in force for setting up CNG Retail Outlets in all Geographical Areas :
  - 2.1.1 Model A
  - 2.1.2 Model B
  - 2.1.3 Model C
  - 2.1.4 Model D2
- 2.2 Based on various market specific factors, the applicability of a particular model at a specific location will be decided by MGL.
- 2.3 A number of factors are involved in setting up a CNG Retail Outlet. Depending on the model, allocation of responsibilities for each of these factors will change. However, the activities under each factor remain the same.

## **3.0 Model A**

- 3.1 In this model MGL will procure the land through outright purchase or long-term lease/sub-lease from Private landowner(s) or Government bodies (MIDC, CIDCO, GoM, MSRDC etc.) preferably for a period of 29 years 11 months.
- 3.2 For private lands, Lease Rent shall be negotiated between both the parties based on the Ready Reckoner rate of the land offered and shall be finalized on case to case basis. Rate and quantum of escalation of Lease Rent shall be decided during the negotiation. Payment of Lease Rent shall start from the date of execution of Lease Deed.
- 3.3 In case the land is obtained from private landowner, expenses towards registration of Lease Deed shall be equally borne between MGL and landowner.
- 3.4 The control of CNG Retail Outlet shall lie with MGL and it will induct a third party as Operator for managing day to day activities at the CNG Retail Outlet.

3.5 In this model, Operator will be paid Slab based Operatorship Charges in Rs/Kg linked to CNG sales from the Retail Outlet. Same shall be revised in line with WPI (Wholesale Price Index) index every year on 1<sup>st</sup> April by MGL.

**3.6 Scope of MGL**

3.6.1 Obtaining required statutory permissions.

3.6.2 To carry out Civil and Electrical Works at the CNG Retail Outlet.

3.6.3 Installation and maintenance of CNG Equipment i.e. Compressor, Dispensers, Cascade etc.

3.6.4 Selection and appointment of Operator for day to day management of the CNG Retail Outlet.

3.6.5 Establishing gas connectivity to the CNG Retail Outlet after obtaining the permission from the statutory authorities.

3.6.5.1 For online Outlet, it means gas supply through pipeline.

3.6.5.2 In case of Daughter Booster Station (DBS) Outlet, this will mean arranging CNG cascade mounted on vehicle for transportation of CNG from mother station to DBS Outlet.

3.6.6 Procurement of power and to pay monthly bills for electricity consumption towards CNG equipment & office.

3.6.7 Provide training and PPE to manpower deployed at the CNG Retail Outlet.

**3.7 Scope of Operator**

3.7.1 To operate the outlet as per MGL's Standard Operating Procedures and MGL Service Standards for CNG Retail Outlet as communicated from time to time.

3.7.2 Operator will also be responsible for carrying out the following activities

- i. Deployment of manpower.
- ii. Sales Promotion.
- iii. Provide Uniform to manpower as specified by MGL.
- iv. Submission of Security Deposit/Bank Guarantee as cover towards gas sales.
- v. Boundary Management.
- vi. Routine Maintenance and Housekeeping as prescribed by MGL.
- vii. Cash Collection charges

**4.0 Model B**

4.1 In this model, Applicant who is interested in obtaining the CNG Retail Outlet operatorship shall lease the land to MGL for a minimum period of 15 years.

- 4.2 Applicant shall be granted operatorship of the Retail Outlet and a separate Operatorship Agreement will be executed between MGL and the Applicant which shall make the latter an Operator of the Outlet.
- 4.3 In case Applicant is not the owner of the land, Applicant can take the land on long term lease directly from landowner and can offer land on Sub-Lease to MGL. In such cases, suitable Legal Agreement will be signed among all the applicable parties. In case of Sub-Lease, period of Sub-Lease shall be equal to or less than the lease period between Applicant and landowner.
- 4.4 **Fixed Lease Rent** : Fixed Lease Rent shall be negotiated between both the parties based on the Ready Reckoner rate of the land offered and shall be finalized on case to case basis. Registered Lease deed between MGL and landowner will be signed on this amount. Rate and term of escalation of Fixed Lease Rent shall be decided during the negotiation. Lease Deed shall be executed after receiving all pre-construction statutory permissions to the satisfaction of MGL. Lease rent shall start from the date of start of commercial sales from the Retail Outlet.
- 4.5 **Variable Component** : MGL will pay amount equivalent to Fixed Lease Rent to the Applicant on pro-rata basis linked to achievement of agreed sales target as per table below :

Sales Target Achievement %	Variable Component %
≤100	On pro-rata basis subject to maximum 100%
100<Achievement≤110	On pro-rata basis subject to maximum 100%
110<Achievement≤125	On pro-rata basis subject to maximum 125%

Payment of variable component shall start from the date of start of CNG sales from the outlet. Variable Component will be reviewed on 1 April of every year for all outlets which have completed 3 years from start of sales as on that date. Variable Component will be modified by a percentage as determined by MGL every 3 years at sole discretion of MGL.

- 4.6 **Station Management Charges** : In addition, Applicant as Operator will be paid a fixed sum per month towards Station Management Charges (SMC). The SMC shall be revised in line with WPI (Wholesale Price Index) every year on 1<sup>st</sup> April by MGL.
- 4.7 **Scope of MGL**
- 4.7.1 To carry out entire Civil and Electrical Works at CNG Retail Outlet.
- 4.7.2 Installation and maintenance of CNG Equipment i.e. Compressor, Dispensers, Cascade etc.
- 4.7.3 Establishing gas connectivity to the Retail Outlet after obtaining the permission from the statutory authorities.
- 4.7.3.1 For online station, it means gas supply through pipeline.

- 4.7.3.2 In case of Daughter Booster Station (DBS) outlet, this will mean arranging CNG cascade mounted on vehicle for transportation of CNG from mother station to DBS outlet.
- 4.7.4 Procurement of power and to pay monthly bills for electricity consumption towards CNG equipment & office.
- 4.7.5 Provide training and PPE to manpower deployed at CNG Retail Outlet.
- 4.7.6 Payment of utility bills.

#### 4.8 **Scope of Operator**

- 4.8.1 To operate the outlet as per MGL Standard Operating Procedures and MGL Service Standards for CNG Retail Outlet as communicated from time to time.
- 4.8.2 To pay all taxes pertaining to land.
- 4.8.3 To obtain statutory permissions in name of MGL.
- 4.8.4 Operator to carry out the following activities for which MGL will reimburse the cost on production of bills :
  - 4.8.4.1 Deployment of manpower.
  - 4.8.4.2 Cash Collection Charges.
  - 4.8.4.3 Sales Promotion.
  - 4.8.4.4 Provide uniform to manpower as specified by MGL.
- 4.8.5 Apart from above, Operator will also be responsible for carrying out the following activities :
  - 4.8.5.1 Submission of Cash Security Deposit/Bank Guarantee towards gas sales.
  - 4.8.5.2 Boundary Management.
  - 4.8.5.3 Routine maintenance & Housekeeping as prescribed by MGL.

#### 5.0 **Model C**

- 5.1 This model is **similar to Model B as mentioned above, except that Operator shall be responsible for entire Civil and Electrical works at the CNG Retail Outlet.**
- 5.2 In lieu of the same, in addition to Fixed Lease Rent, Station Management Charges and sales linked Variable Component payment, a component towards Return on Investment (ROI) shall also be paid to the Operator.
- 5.3 MGL shall pay ROI to the Operator on the normative cost of construction of CNG Retail Outlet provided that Operator has constructed the Retail Outlet as per MGL's drawings, specifications and quality standards. Normative cost will be the total cost ascertained by MGL at its sole discretion on a case to case basis.
- 5.4 ROI will be computed at the rate of 10% per annum on normative cost. MGL will pay ROI to the Operator on pro-rata basis linked to percentage achievement of agreed sales target subject to maximum of 100% on sales target achievement.

- 5.5 ROI will be payable to Operator by MGL throughout the tenure of lease period or tenure of Operatorship Agreement whichever expires earlier. Pro-rata achievement of sales target will be calculated at the end of each quarter as per table below :

Achievement of Sales Target %	Amount of Variable Component Payable %
≤100	Pro-rata achievement of sales target subject to maximum 100%
>100	Maximum 100%

## 6.0 Model D2

- 6.1 In this Model, land shall be taken on lease by executing a Lease Deed for a minimum period of 17 years.
- 6.2 MGL shall be paying a Fixed Nominal Lease Rent of Rs.1000/- per month for the entire lease term.
- 6.3 In this model, the Applicant shall also sign an Operatorship Agreement under which the Operator will be paid Station Management Charges (SMC) in Rs./Kg. as per the prevailing policy of MGL. These charges shall be reviewed at sole discretion of MGL. Charges may differ across cities / municipalities / Geographical Areas (GAs).
- 6.4 SMC in Rs./Kg. is a consideration towards development of CNG Retail Outlet, utilities, dispensing arrangements, sales margin, land cost and all services provided by the Operator.
- 6.5 **Scope of MGL**
- 6.5.1 Installation and Maintenance of CNG Equipment.
  - 6.5.2 Establishing gas connectivity / cascade transportation in case of DBS.
  - 6.5.3 Training to manpower deployed at CNG Retail Outlet.
  - 6.5.4 Weights and Measures Calibration.
  - 6.5.5 Payment towards electricity consumed for running of CNG equipment.
- 6.6 **Scope of Operator**
- 6.6.1 Procurement of land : The Applicant (Operator) should possess the land having clear and marketable title, through outright purchase or through long term lease. Operator should have land rights to obtain the required statutory permissions for development and operation of CNG Retail Outlet. In case the land is procured through lease arrangement, tenure of such lease agreement should be long lease i.e. for a min period of 20 years and up to 29 years 11 months.
  - 6.6.2 Obtaining Statutory Permissions in name of MGL.

- 6.6.3 To pay all taxes pertaining to the land.
- 6.6.4 To carry out Civil & Electrical works.
- 6.6.5 Operations and management of entire CNG Retail Outlet including :
  - 6.6.5.1 Deployment of manpower
  - 6.6.5.2 Routine Maintenance and Housekeeping
  - 6.6.5.3 Payment of monthly electricity consumption charges towards office, canopy lighting & office area (other than CNG equipment).
  - 6.6.5.4 Sales promotion activities.
  - 6.6.5.5 Submission of Cash Security deposit/ Bank Guarantee towards security of gas sales.
  - 6.6.5.6 To pay cash collection charges as determined by MGL.
  - 6.6.5.7 Boundary Management.
  - 6.6.5.8 Providing uniform and PPE to manpower.
  - 6.6.5.9 To operate the CNG Retail Outlet as per MGL's Standard Operating Procedures and MGL Service Standards as communicated from time to time.

## **7.0 Other Important Details**

### **7.1 Land**

#### **7.1.1 Area of land required**

- 7.1.1.1 Areas in municipal corporation limits of Mumbai , Navi Mumbai, Thane, Mira Bhayander, Kalyan , Dombivali etc: Minimum 500 sq.mts. with minimum 25 mts. frontage
- 7.1.1.2 Areas of Raigad district and outside municipal corporation limits: Minimum 900 Sq Mts with 35 mts frontage
- 7.1.1.3 On plots falling on National Highways, minimum land requirement shall be as per NHAI norms.
- 7.1.1.4 Wherever possible or available, MGL will prefer larger plots considering business requirements.

**7.1.2 Taxes pertaining to land :** This includes various taxes which may be levied by the Government from time to time pertaining to land (e.g. Property Tax, Municipal Tax, NA tax etc.).

### **7.2 Sales Target**

- 7.2.1 Sales target will be discussed and agreed upon by Applicant before submission of documents. Agreed sales target will be undertaken by Applicant and clearly mentioned in his detailed application form.

7.2.2 If the achievement of actual sales consistently goes beyond 25% of CNG sales target (upwards or downwards) for a period of 6 months, then MGL will assess the reason and revise the target, if required.

### 7.3 **Statutory Permissions**

7.3.1 This includes all the required statutory permissions/licenses for construction and operation of CNG Retail Outlet, as and where applicable, including but not limited to :

7.3.1.1 Change in land use / NA (Non-agricultural conversion permission)

7.3.1.2 Basic PESO approval and Final PESO license

7.3.1.3 Chief Fire Office NOC

7.3.1.4 Commissioner of Police NOC / District Magistrate NOC (as and where applicable) and all subsidiary licenses required to obtain the same such as from Forest Department, Electricity Board, DSO (District Supply Officer), State PWD, Tehsildar, Gram Panchayat etc.

7.3.1.5 Construction permission from the concerned Municipal Corporation or applicable Special Planning Authority (IOD/CC)

7.3.1.6 Tree Authority

7.3.1.7 Sewer Dept.

7.3.1.8 Storm water Dept and Water Dept.

7.3.1.9 Building and Factory

7.3.1.10 Roads

7.3.1.11 T&C

7.3.1.12 National Highway approval (Initial and Final) wherever applicable.

7.3.1.13 Weights and Measures calibration stamping and approval.

7.3.1.14 Occupation Certificate (OC)

7.3.1.15 Factory license by DISH- Directorate of Industrial Safety and Health

7.3.1.16 Factory Permit (wherever applicable)

7.3.2 It also includes renewal and maintaining all the statutory permissions / licenses valid during the operational tenure of CNG Retail Outlet.

7.3.3 It also includes permission from the concerned Municipal Corporation or Special Planning Authority for erection of MGL branded canopy, signages, totem, hoardings, etc. at the outlet premises.

7.3.4 Statutory permissions like PESO, CFO, Collector NOC, Police NOC, Factory license and any other statutory permissions (whichever applicable) shall be obtained in the name of MGL.

### 7.4 **Civil & Electrical works at CNG Retail Outlet**

7.4.1 **Civil Works** includes all the civil construction works including soil testing, grading, cutting, filling, construction of foundations for compressors and



dispensers, electrical rooms, trenches, driveway, boundary wall (including sound barrier if required), flooring, sales room, toilets, erection of MGL specified canopy, pylon (totem), high mast, hoardings with proper illumination etc. However, all activities pertaining to installation of CNG equipment and CNG pipeline will always remain in scope of MGL.

**7.4.2 Electrical Works** shall include :

7.4.2.1 Obtaining electrical power from power distribution agency in area which shall include obtaining sanction of power from the agency.

7.4.2.2 Payment of initial charges like security deposit & connection charges.

7.4.2.3 Setting of HT or LT infrastructure as per requirement of power distribution agency and setting up electrical panels and cables till the electrical panel of CNG equipment.

7.4.2.4 Any charges that may be payable to power distribution agency during operation, such as, additional security deposit, upgradation of electrical set up if any etc.

7.4.2.5 Installation of back up DG-set for the compressor (if required to be installed at the outlet wherever there are issues pertaining to electricity shutdowns / voltage fluctuations). For model D2 Retail Outlet, this activity will be done by Operator.

7.4.2.6 Installation of Automatic Power Factor Panel / Power Factor Correction System to maintain power factor of electrical system at desired level of unity.

7.4.2.7 Maintenance of electrical system in safe and healthy condition and maintain power factor of electrical system at unity to avoid penalty/avail incentive in electricity bills.

**7.5 Deployment of Manpower**

7.5.1 This includes all manpower i.e. filler-men, supervisors, cashier, housekeeping personnel, security guard/queue controller as required by MGL for day to day operation of the equipment and dispensing of CNG to vehicles.

7.5.2 Number of manpower required for each outlet will be guided by MGL on basis of MANNING NORMS and shall be finalized from time to time by MGL based on the sales pattern of that outlet. Manpower deployment shall be reviewed periodically based on sales and operation criticality during operations of CNG Retail Outlet.

7.5.3 For all outlets under Model B and C , Salaries for manpower deployed at CNG RO will be as per State Minimum Wages Act and will be reimbursed

by MGL subject to production of proper bills. Same will be directly revised from time to time in line with Minimum Wages revision.

7.5.4 Compressor operator (if required) shall be deployed by MGL and cost of such operator will be borne by MGL across all models.

**7.6 Security deposit :**

7.6.1 The Operator will have to submit interest free Security Deposit (equivalent to the revenues of 5 Gas Sale days through cash (Excluding weekends and Holidays)) in favor of MGL before start of commercial CNG sales from CNG Retail Outlet as security towards gas sales.

7.6.2 MGL will review the Security deposit after every 6 months, preferably in the month of April and October. If the value of the existing Security Deposit is found less than the average cash collection value of 5 Gas Sale days, Operator will have to submit the additional Security Deposit within 20 days from the date of intimation by MGL.

7.6.3 The Security Deposit so determined by MGL shall be payable by the Operator in any ratio among the following modes: Full Cash/ Full BG/ any intermediate combination for submitting the required Security Deposit. The Bank Guarantee shall be provided by the Operator from a scheduled bank.

**7.7 Cash collection charges :**

7.7.1 MGL will provide the option of collecting the cash from the outlet through cash collection agency on daily basis or making payments directly through RTGS on daily basis.

7.7.2 Any cost, expenses and taxes levied for collection of cash either through cash pick-up agency or through any other mode, shall be equally borne by the Franchisee/ Operator and MGL. The Franchisee/ Operator, however, may choose to make payments directly through RTGS on a daily basis as approved by MGL, this would help to remove the dependency on the cash pick up agency and would make the process more streamlined.

7.7.3 In areas where the facility of cash pick-up is not available, operator will have to mandatorily transfer the cash to MGL bank account through digital mode of payment/RTGS on daily basis.

**8.0 Process of Issuance of LOI for CNG Retail Outlet Operatorship**

8.1 MGL shall release advertisement in newspapers and or website for inviting Expression of Interest from interested Applicants / Landowners for setting up CNG Retail Outlets under various models.

- 8.2 Interested parties can submit their Expression of Interest on or before the due date.
- 8.3 MGL shall conduct the site visit and shortlist the sites based on various parameters i.e., location, land title clearance, sales potential, demarcation of land etc.
- 8.4 **Post shortlisting of sites, detailed documents will be invited from shortlisted applicants along with complete property documents and Rs. 5 lakhs Demand Draft + GST (as applicable) as one-time non-refundable administrative fee.**
- 8.5 On a pre-appointed day, shortlisted Applicants shall be called for finalization of model and interview with the appropriate committees.
- 8.6 On the basis of evaluation, MGL shall take internal approval and issue LOI to the shortlisted Applicants.
- 8.7 Demand Draft (DD) submitted by Applicants shall be returned once the selection process is over except for the Applicant who has been issued LOI.
- 8.8 LOI for setting up CNG Retail Outlet under Model B, C and D2 shall be issued initially for a term of 06 months as per MGL prevailing terms and conditions.
- 8.9 Post expiry of initial LOI period, based on the request received from the Applicant for extension of LOI and assessing the status of progress in respect of the CNG Retail Outlet, the LOI can be extended for a further term/s of 06 months on same terms and conditions.
- 8.10 Post receipt of all statutory permissions, Lease Deed shall be executed while Operatorship Agreement shall be executed before commissioning of CNG Retail Outlet.