



STEEL AUTHORITY OF INDIA LIMITED

MARKETING NETWORK

SAIL DEALERSHIP SCHEME

1. PRODUCTS COVERED UNDER THIS SCHEME

- a) TMT Bars & Light Structural (i.e. Flats, Light Structural and converted products of Light Structural – sections/sizes within SAIL product range and/or outside it).
- b) GP Sheets & GC Sheets
- c) Converted Products (Embossed with SAIL brand name) may also be supplied to SAIL Dealers. In addition, SAIL may also consider to supply a small quantity of **MS Wire Rods 5.5mm to 8mm/HR/CR Sheets** (up to 50 tonnes max. per month) within the overall agreed quantities.
- d) To allow delivery of GP/GC Sheets and TMT Bars to SAIL Dealers on sectional weight basis i.e. per piece basis.
- e) Up to 200 tonnes of Light Structural (i.e. Flats, Light Structural and converted products of Light Structural – sections/sizes within SAIL product range and/or outside it) can be given additionally per month as a main item along with TMT Bars, GP Sheets & GC Sheets, as monthly committed quantity to Dealers (including existing Dealers).

Note: In exceptional cases, SAIL may consider supply of GP Sheets in coil form against specific request from the dealers. Whereas TMT in 8 mm to 12 mm sizes shall be supplied in straight length, wherever Dealers are willing, these sizes of TMT can be supplied in coil form also.

2A. PRICE AND COMMERCIAL BENEFITS

- a) SAIL materials will be delivered to the premises of the SAIL Dealer under the SAIL Dealership Scheme at the monthly notified prices against payment in advance. SAIL Dealer may also be extended secured interest-free credit for 15 days on 120% of their original/enhanced monthly and annual commitments.

For extending secured credit beyond 15 days, the same shall be on interest bearing basis as permissible under Credit Policy. Consequently, Dealer would be entitled to equivalent cash discount in lieu of 15 days interest-free credit component when sale to Dealer are on cash-and-carry basis.

SAIL Dealers primarily marketing SAIL branded products shall be automatically extended secured interest-free credit/cash discount in lieu for additional 15 days on 120% of their original/enhanced monthly and annual commitments.



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- b) SAIL shall fix a Maximum Recommended Retail Price (MRRP) exclusive of levies, duties, VAT/Sales Tax, octroi, which are to be added extra as applicable for the products to be sold by the SAIL Dealer.
- c) SAIL Dealers shall display the MRRP prominently at their premises. SAIL Dealers shall also be obliged to charge to their customers at prices within MRRP.
- d) **Consistency (cash) incentive:**

An incentive of Rs. 100/tonne on the quantity lifted shall be payable subject to the Dealer successfully completing their monthly off-take. Successful completion of off-take would be considered subject to the shortfall in the quantity lifted being a maximum of **(-) 2%** of their monthly commitment. In the case, where the materials being delivered are in packets or coils (in as received condition from the SAIL plants), the incentive of Rs. 100 per tonne shall be payable subject to the Dealer successfully completing their monthly off-take within the maximum range of **(-) 2% and (+) two (2) tonnes** of their monthly commitment.

In the event of failure to complete their commitment during a month, such quantities can be made up over a calendar quarter. In the event that there is a shortfall in meeting the cumulative monthly commitment over a quarter, the above cash incentive will still be payable subject to the shortfall in off-take being maximum of **(-) 2%** of their quarterly commitment and, in the case of packets or coils, the off-take being within the maximum range of **(-) 2% and (+) two (2) tonnes** of their quarterly commitment.

In addition, subject to the dealer fulfilling their annual commitment (sum total of their monthly commitment), an additional incentive of Rs. 50/tonne will be payable on the quantity lifted during the financial year subject to the shortfall in off-take being maximum of **(-) 2%** of their annual commitment and, in the case of packets or coils, the off-take being within the maximum range of **(-) 2% and (+) two (2) tonnes** of their annual commitment.

During the financial year, since some Dealers would be appointed during the course of the year, the fulfilment of the annual commitment shall be reckoned pro-rated to the months that their dealership has been in force.

The scheme is effective from 01.07.2007 or from the date of appointment of the Dealer for such Dealers who may have been appointed at a later date. For such Dealers, prorated calculations would be given effect to.

Dealers can lift up to 120% of their original/enhanced committed quantity on a monthly/quarterly/annual basis.

The extant guidelines for making up failure to complete lifting of commitment during a month over the calendar quarter shall remain unchanged.



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Yearly incentive will be paid on actual quantity lifted subject to successful completion of yearly committed quantity but limited to 120% of their original/enhanced committed quantity for each individual main product, irrespective of total commitment.

- e) **No other commission is payable under this Scheme.**

2B. ANNUAL AWARD FOR DEALERS

A dealer shall be evaluated for this award based on the criteria on fulfilment of annual commitment, improving brand image, consistent availability of product, adding new customers etc.

Top 15 dealers based on above evaluation in each Region shall be awarded at various levels as explained below.

The top 5 awardees (i.e. 1st to 5th) in each Region shall be eligible for a trip (2 persons, all expenses paid) to a tourist destination within the country, e.g. Goa, Kerala, J&K, etc., for a maximum of 5 nights/6 days. Thus, in all, 20 Dealers (40 nos.) shall be eligible for this award on an all-India basis.

The next 5 best dealers (i.e. 6th to 10th) in each Region shall each be awarded with an Odyssey brand Salem Steel dinner set (for 6 persons).

The next 5 best dealers (i.e. 11th to 15th) in each Region shall each be awarded with an Odyssey brand Salem Steel dinner set (for 4 persons).

The awards mentioned above shall be distributed at the Annual Dealers' Conference where awardees will be invited and felicitated. All expenses on travelling, board & lodging would be paid to such Dealers.

The calculation for the awards shall be on annual basis or from the date of appointment of the Dealer for such Dealers who may have been appointed at a later date in order to maintain parity.

3. FINANCIAL ARRANGEMENTS TO BE MADE BY THE SAIL DEALER

- a) i. The SAIL Dealers under General category shall furnish security deposit @ Rs. 500/tonne of agreed monthly off-take or restricted to Rs. 1 lakh, whichever is lower, through DD/PO, payable at Branch locations, within 15 days of the date of the letter of Intent for appointment being issued to the Dealer.
- a) ii. The SAIL dealer under General Category in backward districts, locations other than Branch location and towns other than district headquarters shall furnish security deposit @ Rs. 100 per tonne of agreed monthly off-take or restricted to Rs. 1 lakh, whichever is lower, through DD/PO payable at Branch locations, within 15 days of the date of the letter of intent for appointment being issued to the dealer.



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- b) Security deposit need not be paid by the SAIL Dealers under SC/ST and OBC categories or for Partnership Firm/Companies where majority of Partners/Directors belong to SC/ST/OBC categories.
- c) No interest shall be payable on the security deposit. On request of SAIL Dealers, SAIL may consider further extension of time for payment of security deposit by 15 days at a time.

4. AGREED OFF-TAKE

- a) The monthly off-take for SAIL Dealer will be generally restricted to 100 tonnes cumulative of TMT & GP/GC at any location. In addition to this, off-take of Light Structurals would be restricted up to 200 tonnes per month.
- b) There shall be an agreed quantity to be lifted in a month for each product the SAIL Dealer may like to lift and the same shall be indicated in the LOI/ agreement drawn under the Scheme. The agreed quantity may vary for different locations/products.
- c) In case the SAIL Dealer fails to lift three times the monthly agreed quantity during a quarter, they shall make up the shortfall within the next calendar quarter. However, in case the failure in either quarter is due to SAIL's inability to supply the material, SAIL may consider waiver of such shortfalls.
- d) SAIL may consider interchange, enhancement and/or reduction in quantities of minimum agreed off-take between TMT Bar/Coils and GP Sheets/Coils and GC Sheets upto 200 tonnes, subject to availability of materials.
- e) SAIL may also consider enhancement and/or reduction of the agreed off-take of Light Structurals up to 200 tonnes, subject to availability of materials.

This shall be considered once in a year by the first week of May for requests received up to 30th April.

- f) The monthly commitments for SAIL Dealers primarily marketing SAIL branded products may be enhanced up to double the existing limits.

5. TENURE

The SAIL Dealer shall initially be appointed for a period of five years, with provision to review after two years. The contract will be extendable by one year at a time.

The extension after completion of contract period will be subject to satisfactory performance. Similarly, on review, if performance is not found satisfactory, it may lead to termination.

6. TERMINATION CLAUSE



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- a) Repeated failures (more than two quarters) in lifting the agreed quantity by the SAIL Dealer, for reasons not attributable to SAIL, shall render him liable for termination of his Dealership.
- b) SAIL can also terminate the arrangement at any time, by serving written/show-cause notice of 15 days on the SAIL Dealer after taking into account the following:
 - i) Evaluated performance.
 - ii) Adverse customer feedback.
 - iii) Repeated complaints regarding sales of material outside his assigned jurisdiction.
 - iv) Non-compliance of MRRP
 - v) Unsatisfactory performance in any other respect and acts detrimental to the interest of SAIL.

7. QUALITY COMPLAINTS

- a) It shall be the Dealer's responsibility to provide all the post-sales service with regard to his customers including settlement of the quality complaints.
- b) SAIL will attend to the quality complaints only at Dealers premises. However, in exceptional circumstances, SAIL, at its discretion, may also attend to quality complaints at the premises of Dealer's customers.

8. TERRITORIAL JURISDICTION

The Dealer has to cater to the small/tiny demands of user/consumers within the territorial jurisdiction assigned to the Dealer by the Branch under whose jurisdiction the Dealer operates. SAIL shall also have the right to appoint one or more Dealers in a district. SAIL shall, however, retain the right to sell directly within such jurisdiction.

9. MODALITIES OF PURCHASE

The Dealers may purchase materials from the nominated SAIL Branch. Delivery shall be from stockyard/consignment agency yard/premises of conversion agent/premises of de-coiling agent/premises of service centres. The material shall be delivered to the premises/destination of SAIL dealers which shall include unloading activities and such delivery and unloading activities shall be free of cost to the Dealer.

In case of a new appointment at a new destination, if transportation contract is not available, rebate of Rs. 200 per tonne towards freight subsidy is approved for a period of maximum 30 days from signing of contract.



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The weight of quantity recorded at the Dealer premises/destination shall be final. However, shortages up to 20 kg per truck/30 kg per trailer (as permissible in the SAIL Road Transportation Contracts) on the weight of the quantity shipped at the Dealer premises/destination shall be accepted by the Dealer. For shortages beyond the permissible limit, the Dealer shall be refunded the amount on recovery from the transporter.

10. MAINTENANCE OF STOCKS

The Dealer shall endeavour to maintain stocks of the relevant products so that SAIL material is available to small/tiny user/consumers on 'off-the-shelf' basis. Therefore, Dealer may schedule his purchases and place indents on SAIL as per SAIL's order booking and planning system in vogue to normally avoid any stock-out situation.

11. SALES PROMOTION

The Dealer may also undertake sales promotion of SAIL products, which are being sold through him, subject to his promotional materials being cleared in advance by SAIL. All the Dealers will be required to display boards of uniform style/colour as provided by SAIL. However, the maintenance and running expenditure in this regard will be borne by the Dealer. The SAIL Dealer may also use the caption 'Dealer of SAIL' in his letterhead and advertisement material.

Promotional Incentive:

Dealers who take up promotional steps like Hoardings, Wall Paintings, Print/Cable TV Advertisements directly shall be entitled for a reimbursement of a promotional incentive restricted to a maximum of Rs 100 per tonne of actual lifting in the financial year. Re-imbursement may be effected on a quarterly basis.

It would be required for the display to depict SAIL logo (except for Cable TV ads) and that the advertiser is an authorized dealer of SAIL for the displayed products. In order to aggressively promote SAIL brand image, the maximum rates at which the promotional activities shall be reimbursed within the maximum annual limits will be as under:

Each Hoarding – Up to Rs. 25, 000/- per month (including cost of printed flex)

Each Wall Painting – Up to Rs. 2,000/- per annum

Each Newspaper/Magazine Advertisement – Up to Rs. 15,000/-per insertion

Cable TV Advertisement – Up to Rs. 3,000/- per month

Bus Panel – Up to Rs. 3,000/- per month

Others – Up to Rs. 8,000/- per month.

For any promotional initiative other than Hoardings, Wall Paintings, Newspaper/Cable TV Advertisement not falling under the above classification, like



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gift items (key-rings, caps, etc.), taken by the Dealer, the same may be considered under 'Others' category.

Promotional incentives accrued for the quantity lifted during the particular calendar quarter is to be utilized for taking up promotional activities within the next quarter. In case the same is not utilized due to any reason the same will be treated as lapsed.

12. SYSTEM OF FEEDBACK

- a) The Dealer shall be required to submit a monthly report on the performance to the concerned Branch as per the format given below: -

(Qty. in M/T)

Sl. No	Plant	Category	Sales		Stocks at the month end
			For the month	Cumulative	

- b) In addition to (a) above, the Dealer will be required to furnish the list of customer(s) dealt with and quantity supplied to them, on a monthly basis to the concerned Branch.

13. MODALITIES FOR OPERATION OF THE DEALERSHIP

- a) There will be no restriction on the Dealer about the number of products that he may like to deal in, within the list of products covered by the scheme.
- b) Depending upon the extent of responses, SAIL may decide about appointing a dealer to deal with one and/or more products.

14. APPLICATION FORM

a) Application forms enclosed as Annexure – A will be sold by the concerned Branch Sales Office and will be priced at Rs. 500 per form for general category of applicants. Application forms to SC/ST & OBC applicants will be sold at a cost of Rs. 100/- per form. The application form can also be downloaded from the website www.sail.co.in, in which case the cost of the application form shall be paid through Demand Draft at the time of submission of the application.

b) The Application form along with its Annexures containing, 'Instructions to Applicants' and 'Terms & Conditions' in the form of draft agreement, after duly signing each page, would constitute the total set to be submitted by the applicants.

15. GENERAL



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- a) The Dealer appointed by SAIL will not deal with institutional customer/Industrial units/ Govt. Depts./PSUs and Projects and not participate in any kind of tenders on behalf of SAIL without the prior approval of the concerned Branch of SAIL.
- b) The Dealer will be required to serve such requirements as would be communicated to him by SAIL.
- c) SAIL representative may inspect availability of materials at the premises of the Dealer from time to time.
- d) Applicants belonging in Scheduled Caste/Scheduled Tribe and OBC categories will be accorded preference in appointment as a SAIL Dealer subject to their fulfilling the conditions and eligibility criteria and subject to their furnishing documentary evidence of belonging to SC/ST/OBC.
- e) On appointment, an agreement containing the various terms & conditions will be signed between the SAIL Dealer and SAIL.
- f) While evaluating applicants for appointment of SAIL Dealer, suitable weightage may be given by SAIL to such applicants who intend to deal exclusively with SAIL products.
- g) As a minimum qualifying criteria, the applicant should possess an office/retail outlet besides a storage space of suitable capacity.

Enclosures:

Application Form – Annexure A.

Instructions for Applicants – Annexure B.

Draft Agreement.

16. EXCLUSIVE DEALERSHIP

- a) The desirous existing Dealers will apply for selection as '**Exclusive Dealers**' to the Branch. The application from the Dealer shall include the following:
 - Location of the shop/godown.
 - Performance.
 - Weighment facilities.
 - Publicity undertaken.
 - Financial standing.
 - An undertaking that they shall be the exclusive dealers of SAIL materials for a period of 3 years.
 - An undertaking that they are willing to paint/furnish their shop as per exclusive SAIL design and colour code.

i. Location:



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Location of the dealer shop at a prominent location where SAIL and its products can get good visibility as well as marketing advantages. The photographs of the shops and godown should be available for reference.

ii. Suitability of shop and storage space:

- a. The overall size and suitability of the shop as well as godown/storage (preferably covered) space would be the main parameter. Preferably, shop and the storage space/godown should be at the same location.
- b. In case the storage space/godown is in different location then, at the shop there should be sufficient space earmarked for display of SAIL products, promotional items, etc.

iii. Weighment facilities:

Dealer must have suitable weighing arrangement for giving delivery to the customers at the shop/godown.

iv. Performance:

Existing Dealers who have lifted materials in at least eight months out of the last twelve months, should only be considered eligible.

v. Maintenance of stocks:

The criterion for regular maintenance of stocks at the dealers shop / Godown may be assessed based on the observation of maintenance of stocks on the basis of past record / visits to dealer premises including on the date of inspection. Dealers maintaining regular stock at his shop/ godown will be given preference.

vi. Publicity:

Preference should be given to those Dealers who are promoting SAIL products by publicity/advertisement at their premises and/or at other locations, participating in fairs, organizing masons'/architects' meets, distributing gift items, leaflets, product brochures, etc.

vii. Financial standing:

Name and address of the bankers of the Dealer along with certificate from the banker on financial soundness of the Dealer indicating the particulars of transactions during last year.

viii. Exclusive dealing in SAIL products:

The Dealer should be willing to deal exclusively in the sale of SAIL steel materials. There is no embargo on dealer selling other items like cement/paint from the same premise but they should not sell any steel item of any other producer, which is in SAIL product range. The



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signage/advertisement of steel at the shop as well as at the godown of the dealer should be of SAIL only.

An undertaking to be taken from the Dealer:

- a) That they will be selling only SAIL products from the shop which is engaged for '**Exclusive Dealer**'.
- b) That they will not operate dealership in the same name for any other steel producers/manufacture from the same premises.

Servicing of Exclusive Dealers:

- These Dealers will enjoy priority in getting SAIL's plant-rolled materials. Generally sale of converted products will be avoided to such Dealers. However, in case supplies of converted products being inevitable, the consent of the '**Exclusive Dealer**' should be taken.
- Regular availability of stock at the dealer's premises is to be ensured.