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No.R-30024/56/07-MC
Government of India
Ministry of Petroleum and Natural Gas

Shastri Bhawan, New Delhi
Dated the 28th April, 2010

To,

1. The Chairman,
IOC
2. The Chairman & Managing Director,
BPCL
3. The Chairman & Managing Director
HPCL

Subject :- De-leasing policy to be followed by Oil Marketing Companies (OMCs) in respect of RO sites.

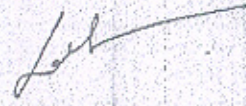
Sir,

I am directed to say that this Ministry has approved the De-leasing Policy for RO sites submitted by the Committee constituted to look into the issues related to de-leasing of land by public sector Oil Marketing Companies (OMCs).

2. You are requested to immediately frame detailed guidelines on the basis of the broad de-leasing policy guidelines approved by the Ministry, a copy of which is enclosed herewith. A copy of the detailed guidelines framed by your company may be submitted to the Ministry at the earliest.

3. This issues with the approval of Minister (P&NG).

Yours faithfully,


(Lalchandama)

Under Secretary to the Government of India

Encl. : As above.

DE-LEASING POLICY

1. Policy for strategic sites

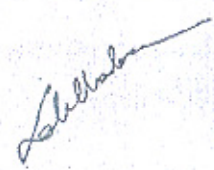
Definition of Strategic Sites

(i) Sites which are located in Metro Cities/State Capitals/major urban centres/small towns where getting an alternate site would be difficult/commercially unviable.

(ii) Sites which have been allotted as dealerships under SC/ST category as well as other categories, which are availing of Corpus Fund facilities.

OMCs should identify sites as "Strategic sites" at regular intervals of time.

The identification of sites should be done in a transparent manner by laying down appropriate procedures duly approved by the Board. The strategic sites should be specific in nature and emphasis would be to secure such sites through long leases/ purchase by negotiating the terms up to the level of market rental/ the market value of the property so long as the same is commercially viable.



1.1 Where lease is valid.

The proposal for vacation of site or provide higher rental/ purchase upto market value may not be considered by the OMCs and if need arises, OMCs should defend Court cases filed in this context.

1.2 Where lease has expired but renewal option is available.

The Oil Companies will exercise their contractual rights and defend the Court cases filed by landlords.

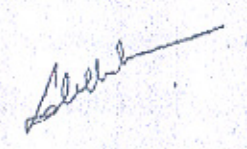
Industry may also consider higher rentals based on commercial reasons from the present levels going upto the fair market rentals based on negotiations. These negotiations may start even before the expiry of the lease.

1.3 Where lease has expired and renewal option is also not available.

OMCs should explore the possibility for a negotiated settlement for renewal of lease / purchase on the strength of tenancy protection wherever available.

Where tenancy protection is not available, OMCs should make every effort to secure the site based on negotiated settlement for lease or purchase at market rates.

In the event of negotiations failing, the OMCs should explore available legal options.



2. Policy for Non-strategic sites (other than strategic sites)

In the case of non-strategic RO sites, the policy will be to secure the site at commercially viable terms, failing which the Industry may favourably consider vacation / de-leasing the site.

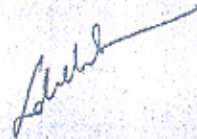
2.1 Where lease is valid.

The Industry shall not consider these sites for de-leasing except where the sites are commercially unviable.

2.2 Where lease has expired but renewal option is available.

- a. OMCs should exercise the available option for renewal under the lease agreement unless the site is commercially unviable.
- b. Industry may also consider higher rentals based on commercial reasons from the present levels going up to the fair market rentals based on negotiations. These negotiations may start even before the expiry of the lease.

2.3 Where lease has expired and renewal option is also not available.



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The industry should have no objection to vacate / de-lease the premises.

3 Policy for Mumbai, Bangalore, Hyderabad and other cities with similar problems

- 3.1 Oil Companies may negotiate higher rentals/purchase options up to market rates.
- 3.2 The Industry would also negotiate with the landlords, for providing alternative site by them, in lieu of the site to be vacated. OMCs could also consider monetary compensation if necessary, as well as other commercial options.
- 3.3 If the negotiation fails, the Industry may approach the State Government for acquisition of such sites. The State Level Coordinators will anchor this activity for the Industry in their interface with the respective State Governments for the acquisition of the sites on Industry basis.
- Signature*

4. Policy for leases under Burmah Shell/ Esso Acquisition Act

For all Acquisition Act cases, the Industry may offer fair market rentals to the landlords as per the guidelines prevailing. The OMCs may offer fair rental or purchase at market value even during the renewal period.

5. Policy for cases pending in courts

While defending these cases in the court, OMCs should also make efforts for out of court settlement within the guidelines framed for strategic and non-strategic sites.

6. All proposals for vacation/de-leasing of site would be approved by the Board/Sub Committee of the Board or such other authority to which Board has delegated the power, in a time bound manner.

