

P-20018/75/2013-LPG  
Government of India  
Ministry of Petroleum & Natural Gas  
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Shastri Bhawan,  
New Delhi, the 24 July 2013

To

The Director (Marketing)  
IOC/BPCL/HPCL  
Mumbai.

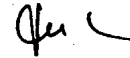
**Subject :** Supply of LPG through COCO Retail Outlets of OMCs

Sir,

I am directed to refer to IOC's letter No. SL/1702 dated 05.06.2013 on the above cited subject and to say that the proposal to supply LPG through COCO RO has been approved for implementation in Chennai, Delhi, Kolkata, Mumbai and Bangalore subject to statutory clearances of OISD/ PESO and compliance of their observations which are enclosed herewith. The scheme shall be reviewed after one year.

2. This issues with the approval of the Hon'ble Minister (P&NG).

Yours faithfully,



Encl: As above

(Rajesh Kukreti)  
Under Secretary (LPG)  
☎ 011-2338 7008

Copy to :-

1. PS to Hon'ble Minister (P&NG)
2. PS to Hon'ble MOS (P&NG)
3. PPS to the Secretary, P&NG
4. Sr. PPS to the AS (P&NG)
5. PS to JS (M)/JS(R)/JS(E)/JS (IC)/ JS(CA), P&NG
6. All Directors, MOP&NG
7. TD(NIC) – for placing this letter on the Website of MOP&NG
8. Guard File.

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इंडियन ऑयल कॉर्पोरेशन लिमिटेड

पंजीकृत कार्यालय : 'इंडियन ऑयल भवन'  
जो 9 अलीयावर जंग मार्ग बंदरा पूर्ववर्द्ध मुंबई 400051।

Indian Oil Corporation Limited  
Regd. Office: Indian Oil Bhavan,  
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Tel: 022-26447000 FAX: 022-26427333



विपणन प्रभाग

Marketing Division

SU/1702  
05.06.2013

Under Secretary (Marketing),  
Ministry of Petroleum of Natural Gas  
Shastri Bhavan  
New Delhi - 110001

Kind Attn: Shri Rajesh Kukreti

Subject: Supply of LPG through COCO Retail Outlets of OMCs - Amended Proposal

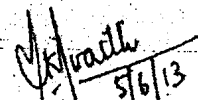
Sir,

This is further to our letter of even reference dated 03.06.2013 vide which the proposal on the above cited subject was forwarded for approval of MOP&NG.

In this regard, Industry has further dwelt on some of the issues and the amended proposal on supply of LPG through COCO Retail Outlets of OMCs is enclosed for your kind approval.

The above is submitted on behalf of the Industry.

Yours faithfully,  
For INDIAN OIL CORPORATION LTD.

  
5/6/13  
(S.K. Awasthi)  
GM (LPG-Sales)

CC: ED (LPG), BPC/HPC : For information please.

## Revised Concept Paper on Supply of LPG from COCO Retail Outlets

32

### Background:

Presently, Packed LPG supplies to customers are through LPG distributors. This involves a person desirous of using LPG connection becoming a customer of a particular distributor and thereafter continues to be attached to the distributor for his supplies. The product is home delivered by Regular distributors and in case of RGGLVs it is on cash and carry basis from the RGGLV godown.

Over the years, a new category of prospective LPG customers have emerged viz. employees in the IT Sector, students, migrant labourers, street vendors etc who do not have proof of address as currently required for release of an LPG connection. While this segment of customers would like to use LPG, they are unable to take a regular LPG connection as they do not have the requisite documents. Many of these customers may have very low requirement of LPG. Hence, such customers would need the flexibility of picking up the cylinders at their time and convenience.

OMCs have retail outlets which are Company owned and open for much longer hours than LPG distributors. Stocking of 100 KG LPG does not require storage license. In view of the same, it is worth while exploring the opportunity to make LPG cylinders available through COCO Retail outlets. This can be tried out as a Pilot Project.

### Factors to be considered:

There are several factors which need to be taken into consideration while forming of the proposal. These are very critical to meet the objective without violating safety/statutory norms as well as the proposal to be economical viable. Few of the points are given below:

1. The RO premises is a licensed premise for storing and Selling MS & HSD. Though storing 100 kg of LPG does not require storage license, the product category per say needs to be included in the CCOE license. However, some ROs have de-licensed area for convenience store. If this area is big and sufficient for storing cylinders, CCOE license may not be required. The requirement of NOC if any for selling LPG from COCO shall be taken care before starting the operation. ✓
2. Similarly in the states where RSL i.e. Retail Selling Licence is required for selling products LPG would need to be incorporated in the same. ✓
3. Statutory norms require a filled cylinder to be stacked and transported in a vertical position. While storing a 14.2 KG cylinder in a vertical position, adequate space needs to be provided which may not be available at the RO premises. Moreover, the targeted customer segment would prefer smaller package to meet their requirement.
4. Supplying from bottling plant directly to the COCO RO does not appear to be a viable proposition considering the logistic constraints and no assurance of the volumes. Therefore, the coke distribution model seems to be best fit wherein there is a main distributor who distributes the coke crates to different shops/selling points.

- 5. Accordingly, a similar model is proposed through our existing distributor network or Non domestic Distributor/Retailer. Therefore, these channel partners operating in the market would become the supplier to the COCO RO. ✓
- 6. Selling subsidized and non-subsidized cylinder is not recommended through COCO RO as we have to follow the existing norms like KYC, tracking the consumption pattern for the domestic customers, etc. Hence, it is proposed to sell Non Domestic (ND) LPG cylinders i.e. commercial cylinders of 5 kg capacity through COCO ROs. ✓ This will facilitate storage of 20 cylinders (100 kg) at the RO. Further, from the safety point of view, the 5 Kg cylinders can be easily carried in a vertical position. Hence, this package size will be very easy to handle and also effectively meet the requirement of low volume customers as mentioned above.

**Proposal:**

- 1. In order to provide free access of LPG to targeted customers, it is proposed to sell the 5 Kg cylinder with/without Domestic Pressure Regulator (DPR) instead of the existing policy of collecting security Deposit against the loaned equipment. With regard to sale of DPR, there is a possibility of being used for an unauthorizedly procured domestic cylinder. However, with a view to ensure safety of the user, it is proposed to make DPR available to the prospective customers in this business model. Further, the DPR would not be sold separately.
- 2. The supplies to the RO would be through the existing distributor or Non-Domestic Distributor/Retailer. The OMCs shall be supplying the Non-Domestic 5 Kg cylinders/PRs from their Bottling Plants to the existing distributor or Non-Domestic Distributor/Retailer based on the indent placed at a price which will be exclusive of the margins of the supplying distributor.
- 3. The transaction for this grade of product will be termed as Free Trade LPG (FTL). The supplying distributor will place the equipment at the COCO ROs and keep an account for the same and replenish the same as per the off-take from the COCO RO. The FTL will have two constituents i.e the RSP of equipment inclusive of 5Kg product and RSP of the product (refill). It is proposed that the RSP of the product would be same as that of the prevailing RSP of Non-domestic 5kg cylinders. While making sale of FTL with equipment to the distributor from the Bottling plant, the company would be levying tax on the same. As such, further tax liability would not come on the Distributor/RO dealer when the same is sold to the customer.

The Supplying distributor would be paying sales margin to COCO RO which would be decided by the OMCs based on the total available margin. The margins can be reviewed by OMCs based on response and feed-back from the re-sellers.

Further, to begin with the COCO RO would be entitled to charge Rs. 25/- from the prospective customer for covering administrative costs at the time of new connection sale. This will also act as an incentive and motivation for bringing new customers.

4. The COCO RO will sell to the customers at the applicable RSP through a cash memo. The prospective customer at the time of first sale will be handed over by the RO a safety card containing instructions for safe use of LPG and also the contact number of the supplying Distributor for any LPG related services. Only the particulars of the customers like name, address and contact No. will be captured in the cash memo. It is proposed that the prospective customer at the time of first sale would be required to give a copy of the POI which may include Voter I-Card, Driving license, Pan Card, Aadhaar Card, Bank Pass book, Employees ID, Passport, Student ID or any other such document which can act as proof of Identity. In addition, the cash memo will also have terms of sale/disclaimer which has to be acknowledged by the customer. The disclaimer will clearly state that it would be customer's sole responsibility to use the equipment as per safety norms and the company would not be liable for any losses/damages arising in case of accident during transit or usage. It is proposed that these FTL customers would not be included in the insurance policy being taken currently by the OMCs for their customers who are registered both for domestic/non-domestic use. The disclaimer would be made on similar lines of the affidavit being taken from the authorized Cash and Carry customers.

Although as mentioned above, there will be a disclaimer clause while selling the Cylinder and the LPG to the customer, it is highly unlikely that the OMCs will be able to absolve themselves from the responsibility, in case of any untoward incident/accident happening at such customer's premises or any other premises on account of LPG usage thru such type of connections if the same is established. In order to overcome this, it is proposed to offer the prospective customer on his request an insurance policy which will provide cover for loss of life and property in the event of an LPG accident occurring at the customer's premises. However, in transit insurance cover will not be available.

5. One copy of the cash memo which is made while selling the FTL equipment shall be handed over by the COCO RO to the supplying Distributor based on which the particulars of the FTL customer (who is buying the equipment) can be recorded by the supplying Distributor in the software of the OMCs.
6. The COCO RO will need to either stock the cylinders (not exceeding 100 Kg) in the de-licensed premises or will have to obtain statutory approvals for storing LPG in cylinders in the licensed premises and comply with safety norms in line with the statutory requirements. The COCO personnel will be trained by the supplying distributor in all aspects of cylinder handling, procedure for equipment installation, Pre-delivery checks, detection of spurious cylinders etc. The COCO RO would also keep a Demo Kit of an ideal Kitchen and explain the cylinder connection/disconnection procedure at the time of first sale to the prospective customers along with instructions to the customer to use only BIS approved hot plate
7. The COCO RO would also have a weighing scale to demonstrate the weight of the cylinder and also carry out Pre delivery check of the cylinder before handing over the cylinder to the customer. On the request of the customer, the COCO RO through the supplying distributor shall provide the installation of equipment at customer's premises and will also provide after sales services on chargeable basis.

8. The pilot is proposed to be conducted by all three OMCs in select cities. |
9. Responsibility for damaged/spurious equipment would be dealt by the OMCs while framing the operational modalities.
10. On approval of the concept paper, detailed operating modalities including pricing will be documented and internal management approval taken for the pilot project.
11. On success of the pilot project, this business model can be expanded to include the existing distributors and the Non Domestic Distributor/Retailer for selling the Free Trade LPG in 5 Kg cylinders through their current infrastructure viz. showroom/godown and also extended to other ROs of OMCs which are conveniently located & have adequate potential/storage space as well as the shops/establishments such as Kirana shops, Malls, other traders, etc. who would be interested in marketing of this product.

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तार - "विस्फोटक", नागपुर  
Telegram - "EXPLOSIVES",  
Nagpur  
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टेलीफोन - 0712 - 2510248  
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कार्यालयीन उद्देश्य के सभी पत्रादि "मुख्य  
विस्फोटक नियंत्रक" के पदनाम से भेजे जाएं,  
उनके व्यक्तिगत नाम से नहीं।  
All communications intended for this  
office should be addressed to the "Chief  
Controller of Explosives" and not to



भारत सरकार

GOVERNMENT OF INDIA

पेट्रोलियम तथा विस्फोटक सुरक्षा संगठन  
Petroleum and Explosives Safety Organisation

(पूर्ववर्ती - विस्फोटक विभाग)

(Formerly - Department of Explosives)

ए-ब्लॉक, पाँचवा तल, केन्द्रीय कार्यालय परिसर,

A-Block, 5<sup>th</sup> Floor, C.G.O. Complex,

सेमिनरी हिल्स, नागपुर (महाराष्ट्र) - 440 006

Seminary Hills, Nagpur (Maharashtra) - 440 006

दिनांक / Dated : 24.05.2013

पत्रांक / No.G.40(Misc)R-Min/VI  
To

The Under Secretary (LPG),  
Ministry of Petroleum & Natural Gas,  
Shastri Bhawan,  
New Delhi. - 110001

Sub:- Supply of LPG through Company Owned Company Operated (COCO) Retail Outlets of  
Oil Marketing Companies.

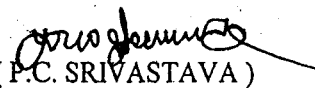
Sir,

Please refer to letter your letter No. P-20018/75/2013-LPG dated 07.05.2013.

The proposal given by M/s. IOCL regarding selling of LPG cylinders from COCO Retail  
Outlets by the Company to their customers has been looked into and view of PESO are as under:-

- (1) The concept paper given by M/s. IOCL has stated the statutory requirements in Para 1 under subject heading "Factories to be considered" which appears in order and therefore only those COCO Retail Outlets which have adequate area away from underground tank farm area as well as dispensing pumps may be allowed to keep unlicensable quantity i.e. less than 100 Kg. LPG in cylinders for delivering to their customers.
- (2) COCO Retail Outlets may be strictly advised not to store and distribute these LPG cylinders from the sales room of the retail outlet or other amenities like store room, electrical distribution rooms, since these rooms are having ordinary electrical fittings and are regularly used by pump staff as well as general public and therefore not conducive for storing LPG which is highly inflammable in nature.
- (3) M/s. IOCL to be strictly advised that in no case any vehicle/LCV/Animal Driven cart etc., loaded with filled LPG cylinders shall be parked within the petroleum service stations/retail outlets to distribute cylinders to their customers.
- (4) M/s. IOCL have to ensure that such distribution and sale of LPG cylinders should not jeopardize operational safety around dispensing pumps as well as petroleum unloading activities including underground tank and its facilities.

Yours faithfully,

  
(P.C. SRIVASTAVA)

Jt. Chief Controller of Explosives  
for Chief Controller of Explosives

01/2/13 Jm W

21

**OIL INDUSTRY SAFETY DIRECTORATE**  
8<sup>th</sup> Floor, Tower-'A', OIIB Bhavan, Plot No.2, Sector-73  
Noida - 201 301 (UP)

Ref:EDS:LPG

May 16, 2013

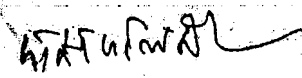
**Subject: Supply of LPG through Company Owned Company Operated (COCO) Retail Outlets of Oil Marketing Companies**

This has reference to your letter No.P-20018/75/2013-LPG dated 07.05.2013, received by us on fax on 14.05.13.

Concept paper on supply of LPG from COCO Retail Outlets from IOCL vide letter No.SL/1702 dated 20.03.2013 had been examined at our end and we have the following to state in this regard:

1. The proposal is predominantly commercial in nature and we, at OISD, are not in a position to comment on this angle.
2. The proposed situation has not been envisaged by the Industry while firming up OISD-STD-225 on Storage, Handling and Dispensing at Petroleum Retail Outlets and, as such, there is no provision therein either for or against the extant proposal.
3. The proposal is silent on specific physical arrangements to be made for storage & handling of empty & filled LPG cylinders in the COCO Retail Outlets.
4. PESO opinion, as competent authority vide Gas Cylinders Rules under Explosives Act, may have to be obtained on the proposed physical arrangement of handling and storage of packed LPG cylinders - empty & filled - even when the quantity of such packed LPG does not exceed 100 kgs. as and when the same is specified in the extant proposal as the said packed LPG cylinders shall be placed in a premises already licensed to store MS, HSD and/or Auto LPG or CNG.
5. Packed LPG cylinders in the RO should not be stored in hazardous areas like Generator Room, Electrical Panel Room or Basements / inadequately ventilated areas.
6. Storage of empty & filled cylinders in the COCO Retail Outlets and the resultant encroachment on PESO licensed area's approved circulation space, if any, may also have to be articulated & presented to PESO and their opinion may be obtained.
7. Further, health check of filled cylinders' Valves and 'O' rings and Management of leaky filled / empty cylinders in the COCO Retail Outlets' working area need to be addressed by adequately skilled manpower with back-up systems keeping in view the safety criticality of the retail outlets storing Class A Petroleum Products and continuous ingress / egress of automobiles and human beings in the said area.

You may like to take further necessary action in this context based on the foregoing.

  
(S.L. Chakravorty)  
Director (Process & Engg.)  
for Executive Director

Shri Rajesh Kukreti, Under Secretary (LPG), MoP&NG, New Delhi

CC: Joint Secretary (R), MoP&NG, New Delhi - for information please