

Comments of the Ministry of Petroleum and Natural Gas (MOPNG) on the queries raised by the Prospective Bidders in regard to the RFP for appointment of Asset Valuer for Disinvestment of HPCL

1. Clarification in respect of the queries raised by RBSL:

Sl. No.	RFP Reference	Clarification required	Opinion, if any	MOPNG's comments
1.1	Scope of Work (Clause : 1.2 & 3.1)	We understand the engagement is for Fixed Asset Valuation of the Assets of HPCL. We also understand that the Valuation of all Tangible Fixed Assets of HPCL on Standalone basis is an integral part of this exercise. However we want clarification on following: 1. Whether Equity Valuation of the Subsidiaries / Joint Ventures / Associate Companies of HPCL is to be carried out? 2. Whether Valuation of Tangible Fixed Assets of the Subsidiaries / Joint Ventures / Associate Companies of HPCL is to be carried out?	In our view the Equity Valuation of Subsidiaries / Joint Ventures should be covered under Asset Valuation exercise. However, Fixed Asset Valuation of Subsidiaries / Joint Ventures should NOT form a part of this exercise.	The Asset Valuer is required to carry out a diligent and fair valuation of HPCL for the limited purpose of its disinvestment with continuance of all of its existing business operations including its subsidiaries and Joint Ventures.
1.2	Scope of Work (Clause : 1.2 & 3.1)	HPCL owns 14412 Retail Outlets (RO) and 231 CNG Facilities. Kindly clarify that whether the Valuer has to access Market Value of all these ROs by physical inspection of all the locations and local Market Survey? OR The Valuation of ROs based on the 'Circle Land Rates' (DLC Land Rates used for Stamp Duty Purpose) on a Desktop exercise will serve the purpose of this exercise?		The Valuer is expected to exercise prudence and devise an appropriate methodology that captures the asset value in a fair and diligent manner within the prescribed time frame.
1.3	Payment Terms (Clause 9.1 & 10)	Contradiction in the Payment Terms	Need to be corrected	In Para 9.1 of the RFP, the phrase “..after successful and satisfactory closure of the transaction” is to be deleted.
1.4	Payment Terms (Clause 10)	90% of the fee to the selected Bidders shall be paid in Indian Rupees after successful	Milestone linked payment should be as under:	Para 10 in its entirety to be read as follows:

		<p>completion of the aforesaid work and after handing over of valuation report to the Government. Balance 10% of the fees shall be paid in Indian Rupees after the process of disinvestment has been completed. Given the size of the engagement, we request you to revise the payment terms more equitable and make it milestone based depending upon the progress of the work.</p>	<p>(1) 30% of the total fees within 3 working days from submission of Methodology Presentation. (2) 30% of the total fees within 3 working days from presentation of the Draft Report (without Value) (3) 30% of the total fees within 3 working days from handing over of Valuation Report to the Government. (4) Balance 10% of the total fees shall be payable after the completion of the process</p>	<p>Terms of Payment</p> <p>The payment of the fee to the selected bidder shall be made as under:</p> <p>a. 10% of the fee to be paid after the submission of Inception Report. b. 30% of the fee to be paid after the submission of Draft Report. c. 50% of the fee to be paid after the acceptance of Final Report by the Government. d. 10% of the fee to be paid after the process of disinvestment has been completed.</p>
1.5	Payment Terms (Clause 10)	<p>What if Government decides to call off the process abruptly wherein the consultant might have achieved substantial progress in terms of execution of the assignment and incurred substantial HR & other incidental costs.</p>	<p>There should be a clause for 'Drop Dead Fees' linked with time duration / progress of the engagement: (i) No fees if the process is called off within 2 week from the appointment of the consultant. (ii) 30% of the total fees to be paid if the process is to be discontinued after 2 weeks but within 4 weeks from the appointment of the consultant.</p>	<p>Same as given in case of Sl. No 1.4.</p>

			(iii) 60% of the total fees to be paid if the process is discontinued after 4 weeks but within 6 weeks from the appointment of the consultant. (iv) 90% of the total fees to be paid if the process is to be discontinued after 6 weeks from the appointment of the consultant.	
1.6	Bid Submission Time (Clause 7.2)	Request to extend time for submission of the proposal by 3-4 working days		Bid closing date and time has been extended till 17.8.2017 at 15:00 hours.

2. Clarification in respect of the queries raised by Adroit Technical Services Private Limited:

Sl. No.	RFP Reference	Clarification required	Opinion if any	MOPNG's comments
2.1	Para 4.1 (ii)	As per RFP, there is a criteria for selection of bidders which specifies that a single valuation amounting to INR 5,000 Crore should have been carried out.	We would request you to please change this amount to around 2,500 Crores since the above mentioned could restrict the number of participants in this bid.	No further clarification.
2.2	Para 1.2, 3.1 and 12 of the RFP	As we understand, there are approximately 14,000 retail outlets apart from 1,000 assets which need to be evaluated. Since, the timelines for such asset valuations are approximately 50 to 60 days, this may not be feasible for any participant to go to every location and do the valuation (as we do not sublet the assignment).	We would request you to either select some important locations to be visited mandatorily and rest to be evaluated as desktop valuations. Alternatively, timelines can be extended to 3 months (if possible).	The Valuer is expected to exercise prudence and devise an appropriate methodology that captures the asset value in a fair and diligent manner within the prescribed time frame.

3. Clarification in respect of the queries raised by Ernst and Young LLP:

SI No.	RFP Reference	Clarification required	Opinion if any	MOPNG's comments
3.1	Section 3.1.a, page - 4 of 36	<p>Please confirm the exact name and number of locations to be covered in the valuation exercise.</p> <p>It would be very helpful if Company can provide the Valuer, a list of assets to be covered in the scope at each location along with approximate land area and approximate built up area of buildings etc. Please make available latest schedule of fixed assets as per last audited accounts of the Company to help us to assess the volume of work realistically</p>		<p>Balance sheet of HPCL which contains the schedule of fixed assets for 2015-16 is available in public domain. Further, statement of assets and liabilities as on 31.3.2017 are already available on HPCL website.</p>
3.2	Section 1.2 - 2 of 36	<p>Kindly confirm whether the Valuer has to carry asset valuation of the companies wherein HPCL hold stake? If yes, kindly let us know who will provide the Valuer a list of assets to be covered in the scope at each location along with approximate land area and approximate built up area of buildings etc. It would be very helpful if we can be availed Company wise lists of assets to be covered in the scope.</p>		<p>The Asset Valuer is required to carry out a diligent and fair valuation of HPCL for the limited purpose of its disinvestment with continuance of all of its existing business operations including its subsidiaries and Joint Ventures.</p>
3.3	Section 3.1.b, page - 4 of 36	<p>Please let us understand about the expectations on 'due diligence'. Does it require the valuer to take any physical inventory and record detailed specifications of assets and technical due diligence of location, site plans and plant & machinery etc.? Further, kindly elaborate and explain in details on expectation of the scope of due diligence of regulatory approvals and review of physical encumbrances.</p>		<p>The Valuer is expected to exercise prudence and devise an appropriate methodology that captures the asset value in a fair and diligent manner within the prescribed time frame.</p>

3.4	Section 3.1.i, page - 6 of 36	<p>Kindly let us know if is there any specific reasons for issuance of draft report without valuation figures by the Valuer initially.</p> <p>Kindly let us know the timeline for issuing final report after submission of draft reports (with and without values)?</p>		<p>The Bidders are required to complete the aforesaid services/work in all respects and submit its Valuation Report within a period of 50 days from the date of issue of appointment letter.</p>
3.5	Section 12, page - 16 of 36	<p>Timeline of 50 days appears to be too short. Is there any scope to extend the same further?</p>		<p>The Valuer is expected to exercise prudence and devise an appropriate methodology that captures the asset value in a fair and diligent manner within the prescribed time frame.</p>
3.6	Section 4.1, page - 9 of 36	<p>Based on our understanding of the eligibility criteria given in this section, we also understand that memberships of the other government recognized professional institutions like the Practicing Valuer Association of India (PVAI) and the Institution of Surveyors (India) as well as internationally reputed and recognized professional bodies such as Royal Institute of Chartered Surveyors (RICS), American Society for Appraisers (ASA) and Appraisal Institute will also be considered as valid Eligibility criteria apart from the criteria given here in the RFP. We understand from the Page No 9 of Handbook of Indian Banking Association (IBA) that memberships of aforementioned national and international professional bodies</p>		<p>Para 4.1 (i) in its entirety to be read as follows:</p> <p>“Interested parties should be having experience of at least 5 years for providing similar Asset Valuation services. In case of a Partnership firm or a Limited Liability Partnership or a company, a Partner or a Designated Partner or a Director/</p>

		shall be considered for empanelment of Valuers by banks / HFIs in India.		Managing Director/Whole-time Director/regular full time employee of entity company who is assigned this assignment, should be a Valuer registered with the Income Tax Department or RBI or Public Sector Banks or Institution of Valuers.”
		We further assume that memberships of above professional bodies held by the other senior member of the Valuation firm such as Associate Vice President with relevant 20 years of experience shall also be taken in to the consideration apart from the eligibility criteria of the Partner or Designated Partner or a Director / Managing Director / Whole-time Director of the firm at the time of evaluation of technical bid.		
3.7	Section 10, page - 15 of 36	Stage-wise payment schedule may be of great help in view of mobilisation of large number of experts for 2 months and expenditure pertaining to the same. Kindly confirm if Valuer can split his fixed fees and can link the invoices / billing with the scheduled engagement milestones and deliverables.	We would kindly request the Government to relax the payment terms and allow us to link our invoices / billing with engagement milestones and our deliverables as we normally bill our Clients as per the following payment schedule - 10% of total fees as advance payment on commencement of the engagement, 20% of total fees on completion of site visits, 50% of total	Para 10 in its entirety to be read as follows: Terms of Payment The payment of the fee to the selected bidder shall be made as under: a. 10% of the fee to be paid after the submission of Inception Report. b. 30% of the fee to be paid after the

			fees on submission of draft report and remaining 20% of total fees on submission of the final report.	<p>submission of Draft Report.</p> <p>c. 50% of the fee to be paid after the acceptance of Final Report by the Government.</p> <p>d. 10% of the fee to be paid after the process of disinvestment has been completed.</p>
3.8	Section 3.2 (iv), page - 7&8 of 36	<p>Please let us understand why market value and recommended value – two different terms for value have been used and need to be indicated in the report.</p> <p>Does the Valuer require to do asset wise condition assessment and to estimate additional cost required for repairs & renovations? Kindly let us know the objective and end use of estimate of cost of repairs and renovations by the company.</p> <p>Whether other assets including projects under construction can be valued at its historical cost, being the recent investments.</p> <p>Does the Valuer require to value the contracts / future supply etc?</p> <p>Whether raw materials/ intermediate products/ finished products/ Chemicals/ Catalysts/ Stores and Spares in inventory/ Products in hand or in process be valued at its cost, assuming non availability of required data on this and also from materiality perspective. This apart, those item of assets may be very high in volume, but very less in impact of valuation. This would help the valuer to utilise given time more on valuable items like Land, Building, Plant &</p>		No further clarification / details required.

		Machinery etc.,		
3.9	Section 12, page - 16 of 36	Please indicate, what kind of support is required from the valuer? This would help us assess the extent of project period and cost involved therein		No further clarification / details required.
3.10	Section 3.4 - 8 of 36	Please explain the term 'some service' to form our perception about the extent of unwritten part of the ToR, which would be mandatory.		No further clarification / details required.

4. Clarification in respect of the queries raised by Subhash Shah and Asso. Arch. Pvt. Ltd.

Sl. No.	RFP Reference	Clarification required	Opinion if any	MOPNG's comments
4.1	Section 7.1 (i)(a)	Please inform us whether the Registered Architects require to submit Non-refundable fee of Rs.50,000/- with the Bid to enable us to proceed further in this matter.	We would further like to inform you that as per Council of Architecture Act, it is not required to deposit any fee against any tender.	No further clarification / details required.