

Policy for the appointment of Vita Milk and Milk products Distributors

(1) Preamble:

Haryana Dairy Development Cooperative Federation (HDDCF) is a Public Sector Undertaking, which was set up with the primary objective of providing service to the farmers of the state of Haryana. In accordance with the broad aim and objectives of HDDCF as above with the help of Government of Haryana, we are setting up a network of Vita Booths/ Vita Outlets for the sale of Vita Milk and Milk Products within the state of Haryana. HDDCF is a Haryana Government venture in the Cooperative sector with the twin objectives to improve the economic status of the milk producers of the State and to provide quality milk and milk products to the consumers at the best possible rates at their doorstep. The Federation procures the surplus milk produced by farmers of Haryana from their doorsteps through cooperative milk societies.

HDDCF is engaged in procurement, processing of milk and manufacturing of milk products under the market brand "Vita". A range of Vita Products including Pasteurized Full Cream Milk, Standard Milk, Toned Milk, Double Toned Milk, A2 Cow Milk in pouches, Sweetened Flavored Milk, Dahi, Mithi Lassi, Namkeen Lassi, Paneer, Milk Cake, Pinni, Ghee, Butter, etc. are being manufactured and sold by its Milk Unions and HDDCF. It is our endeavor to supply clean & hygienic milk and milk products to the consumers/ public at reasonable prices through a large network of milk and milk products distributors who are appointment through a transparent distributor's appointment policy.

(2) Process of appointment of distributors:

At present all the Milk Unions affiliated with HDDCF are marketing their products through distributors in the State of Haryana and adjoining areas.

- i While appointing new distributors for Vita Milk and Milk Products, the applications are to be invited from public through publication of advertisement in newspapers for the area which are lying untapped/under-utilized and thereafter selection will be made by the selection committee.
- ii MD, HDDCF in consultation with the Chief Executive Officer of Milk Unions will appoint Milk & Milk products distributors in their untapped/under-utilized operational areas after screening of their applications & interview by a committee consisting of the following members:
 - a. Chairman of the respective milk union.
 - b. Nominee of the Federation (Federation Nominee on the Board of respective Milk Union).
 - c. CEO of respective Milk Union.
 - d. In charge (Marketing) of respective Milk Union.

(3) Standard operating procedure for Milk & Milk products distributors:

- a) The distributorship will be given to the Distributor on a non-exclusive basis for a particular distribution area and will be for a period of three years, which may be further extended considering the performance of the distributor.
- b) The priority for the selection of the Distributor in a particular distribution area would be as follows:
 - i. Preference will be given to the existing milk retailer depending upon the sale of milk and milk products.
 - ii. Preference will also be given to Cooperative Society registered under Haryana Cooperative Societies Act.

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- iii. Further, in case none of the above parties mentioned are willing to become the distributor. Any retailer/distributor dealing in FMCG having at least one year experience will be considered.
 - iv. For distribution in other states, any person/party who is willing to become Vita Milk Distributor on an exclusive basis. However, if exclusivity is a hindrance, priority shall be given to the party who is having good experience of dairy sales, is financially sound, and can contribute to expand the sales of Vita Milk and fresh products in the new territory.
 - v. The milk union shall maintain the right to appoint a new distributor in future, when the distributor reaches the volume of 1,500 trays either of one firm or group of firms operated by any individual party in whatever understanding. The respective Milk Union shall ensure that the party does not seek appointment under different name in blood relation.
 - vi. He should have his own/hired fleet of refrigerated/ insulated vehicles or will arrange the same within 15 days from the date of allotment of distributorship to take delivery of liquid milk and milk products from ex-doc of Milk Plant concerned. For tehsil, block level towns and for village applicants this condition does not apply.
 - vii. The newly appointed distributors will not disturb the sale point of existing distributors.
 - viii. The distributor, at no point of time/stage shall involve any employee, Director of Vita Dairy & should have no blood relation, working/having worked in HDDCF. The declaration in this regard shall be procured as mandatory condition from the interested party.
 - ix. The policy bars the appointment of Super/Solo distributors for any region/ zone.
 - x. The Distributor shall provide FOR delivery to retailers within its allocated area.
 - xi. The milk union reserves the right to change the prices of Vita milk and milk products, as and when required, without prior intimation and the distributor shall have no objection.
 - xii. Actual leakage packets will be replaced.
 - xiii. The distributor shall have sufficient storage space with all the requisite refrigeration facilities to store any extra stock without compromising the quality of the milk and milk products.
- c) The form for appointment of Distributorship is attached at Annexure-I

(4) Milk & Milk Products Distributor:

- i. Milk & Milk Products Distributor includes supply of the Milk, Dahi, Lassi, Paneer, Table Butter, SFM, Sweet, Ghee or any other item introduced or outsourced in future. MD, HDDCF will make an extensive evaluation report of requirement of new distributors within one month which will be updated from time to time. Whenever a new distributor is appointed by the respective Milk Unions, his area will be properly demarcated. The CEO of Milk Union may allot him additional area till the new distributor is appointed in the surrounding untapped area where despite efforts made by Milk Unions there is no distributor. However, the existing distributor's area will not be disturbed by allocating the new areas to newly appointed distributor. The newly appointed Vita Milk Distributor will be initially issued LOI for six months instead of issuing regular distributorship appointment letter. The regular appointment letter will be issued only after ensuring that during the LOI period, the concerned distributor has achieved the sale targets assigned to him. If he fails to achieve the sales target, then the LOI period will be extended for a further six months. Thereafter, in case of achieving the sale targets, a permanent appointment letter will be issued & if he fails again then his LOI will be cancelled. This distributorship will be renewed every 3 years as per his achievement vis-à-vis of targets.

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- ii. Liquid Milk distributorship is allowed as per the understanding and requirement of HDDCF in the area. HDDCF reserves the right to appoint more than one distributor in areas with higher potential. If a particular distributor is not achieving the given Target or breach of any of the terms and conditions of the agreement, then his distributorship be cancelled.
- iii. No existing /newly appointed distributor shall be removed if his progress is satisfactory in terms of achieving the Targets. The performance of the distributor may be reviewed by fixing Targets on sale of liquid milk only.

However, an additional distributor can be appointed after assessing the requirement. In case of liquid milk, the number is required to be restricted keeping in view the density and consumption in that area, as viability of an existing Distributor would get adversely affected.

If MD, HDDCF in consultation with the Chief Executive Officer of Milk Unions feel the necessity to appoint an additional distributor in a particular area depending upon the population, volume of business and Targets achievement of existing distributor, then he may do so after satisfying himself about the need of having same in the area. To cover the area fully and to provide better service one distributor may be appointed for the area covering population of one lac of the area. This is only indicative, and a decision can be taken as per the performance of the existing distributor.

(5) Sales Target of Milk Distributor:

- i. The sales targets of the newly appointed Distributor will be based on the population in the untapped area and accordingly he/she will be assigned the average sales target. The sales target will be calculated on seasonal basis i.e. from April to September (flush) will be consider as 1st part and from October to March (lean) will be considered as 2nd part and his performance will be reviewed as under: -

The Targets will be fixed depending upon the population of city/area as per below:

Tier-I Cities- Panchkula, Chandigarh, Faridabad, Gurugram, Sonipat
 Tier-II Cities- Ambala, Kurukshetra, Karnal, Panipat, Jhajjar, Rohtak, Hisar, Rewari,
 Tier -III Cites- Rest of Haryana

Area of Jurisdiction against Population	Targets (LPD)		
	Tier-I	Tier-II	Tier-III
1,00,000 population	10,000	6,500	3,500
50,000 population	5,000	3,300	1,800

- ii. The target should be set as per above proportionally. The calculation is based upon that 30%, 20% & 10% of the population will buy packed milk in Tier-I, Tier-II & Tier-III cities respectively and the share of Vita milk will be 30% of the total consumption of packed milk.
- iii. The targets for Tehsil, Block level Towns and villages will be set as per the population and local availability of milk.
- iv. Similarly, existing Distributors will also ensure to achieve above mentioned sales targets, but it should not be less than his average sales performance made during last 2 financial years. The area for the existing distributor may be modified as per the performance of his last two years sale based on population as mentioned above. In case performance is below par, a new distributor or additional distributor may be appointed in that areas by demarcating the areas.

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- v. The Targets for the part 2nd part i.e. lean period will be 20% less than the targets mentioned above.
- vi. For the appointment of a distributor outside the state the targets may be set depending upon the other local competitors initially and be revised after three months.

(6) Payment System:

- i. The system is cash and carry for all milk & milk products distributors. Payment is to be made through online banking or Demand Draft. On holidays they will credit the amount in Milk Union's Bank Account through online mode. One day supply can be given up to the value of the security deposit in unforeseen circumstances by the competent authority (CEO). However, this will not be routine in any case.
- ii. Two signed cheques (without date) in favour of concerned Milk Union will be kept which will be used in case the distributor defaults in payments.

(7) Security Deposit:

- i. The security amount for Vita liquid milk & milk products distributor (except ambient products) will be fixed according to their turnover which is given as under: -
Operation Security:

Area of Jurisdiction against Population	Security in Rs.		
	Tier-I	Tier-II	Tier-III
1,00,000 population	1 lakh	75 thousand	50 thousand
50,000 population	75 thousand	50 thousand	25 thousand

- ii. The security for issuing of crates, assets or other equipment supplied by Milk Unions will be paid extra by the distributor.

(8) Transfer of Distributorship:

- i. In case of any eventuality, employment in Government service the distributorship can be transferred to his/her nominee, the nomination has to be filled in the application form.
- ii. In case of demise of the distributor, the CEOs of concerned Milk Union will transfer the distributorship in the name and style of the persons who has been nominated.
- iii. All the existing Milk Distributors be asked to fill in their nomination form and submit it to the Milk Unions concerned within a period of one month.
- iv. In case no nominee is available, the distributorship should be cancelled, and a new distributor may be appointed for that area as per policy.

(9) Area of Distribution:

- i. The newly appointed distributor will be responsible for the distribution of VITA Milk & Milk Products in the allotted areas from the date of appointment subject to review of sales performance. However, HDDCF reserves the right to add/ subtract the area of operation from time to time depending upon the requirement of market and performance of the distributor. The distributor is not authorized to carry out the distribution of the said products in distribution allocated to other distributors. In case the adjacent area is lying vacant the same can be allocated to the distributor on a temporary basis up to the time the new distributor is appointed in that area. The area of the existing distributors can be reduced/ modified depending upon the population of the area, performance of the distributor or carving out the area for the new distributor as per clause No. 5 of the policy.
- ii. In case any distributor creates the regular demand for other area for points like hotel, restaurants, institution, factories etc., in that case the 25% of the dealer margin will be credited to the creator & remaining 75% of the margin to the distributor of the said area who will supply milk to these points, the amount will be credited after every three months of regular supply.

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(10) Distribution network:

- i. The distributor is expected to have a network of retailers which will ensure that none of the area allocated to him is lying vacant. It is the responsibility of the distributor to serve all the retailers who fall under his allotment area and should maintain cordial business relationship with the retailers/booth holders. It will be the responsibility of the distributor to achieve the given sales targets from time to time. The distributors will maintain the record of sales proceeds made to Vita booths/ Retail points and will send such list to the Milk Unions through MIS system.
- ii. If any of the distributor appointed fails to cover the retail points in his allotted area and give supply only at Vita milk booths whose infrastructure has been created by HDDCF, under such circumstances Milk Unions can start direct supply at Vita milk booths/ retail points situated in any of the Distributor's area depending upon the situation and the distributorship of that distributor will be cancelled.
- iii. Large marketing chains, Modern Trade like Reliance, Big Bazaar etc. Government Public distribution system, Co-operative institution/organizations and the like institutions may be considered by HDDCF for appointment as distributor separately as per the business terms/ MOU executed for selling products through their outlets and the existing distributor of the area would have no objection to the same.

11) Non-Performance & Termination of distributorship:

- i. Target achievement as mentioned in clause No. 5 is the main criteria for judging the performance of the distributor. If the distributor does not achieve the target regularly for three months on cumulative basis the distributorship will be cancelled however another three months can be extended if the CEO of concerned Milk Union is satisfied that the performance will improve.
- ii. The distributor shall carry out the responsibility of distribution of Vita milk as per the guidelines, prices, sales targets and terms and conditions as conveyed to them by concerned milk union from time to time. In the event of any breach by any distributor at its discretion and judgment, the CEO of the concerned Milk Union may terminate the distributorship arrangement by giving in writing 15 days' notice to the said party. Similarly, the distributor can also discontinue the arrangement by giving 30 (thirty) day's written notice to concerned milk union. In all such cases of breach of agreement, the security will be forfeited.
- iii. The distributor shall not sub-assign the distributorship to any other party, if any breach of this condition is observed/comes to the notice of concerned Milk Union, the distributorship of the concerned party would be terminated without any notice and security will be forfeited.
- iv. Distributors will not store and sell milk and milk products of other brands; it will be treated as a major offence. The distributorship will be cancelled immediately if a violation is noticed in this regard.
- v. The distributorship shall be cancelled if the distributor is found involved in any such activity or practice, which hampers the reputation and business of Vita and security will be forfeited.
- vi. The above clause will apply both to new and existing distributors.

(12) Existing Milk & Milk Product Distributor:

The motive of the policy is to increase the sale volume of Vita milk & milk products. To streamline the process, all the agreements with the existing distributors will be reviewed by MD, HDDCF by taking holistic approach & renewed as per the terms and conditions of this policy. The area of operation will be rationalized as per present sales volume and target as per clause No. 5 of this policy. To improve the performance, the distributor will be given a time of six months. A further relaxation of

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three months can be given by the Managing Director on the recommendation of Chief Executive Officer with full justification. The contract will be renewed by the Managing Director (HDDCF) or his representative authorized in this regard.

(13) Transportation

- i. The distributor will lift the milk supply from the dock of milk plant, however in case where distributor is unable to arrange the same, the FOR supply should be provided to the distributor by arranging Plant vehicle. While arranging plant vehicles the cost, volume ratio must be kept in mind to achieve minimum transportation cost. The slabs for the transportation cost admissible to the distributors will be as follows:
 - 0 -30 Kms
 - 31-60 Kms
 - 61-90 Kms
 - 91-120 Kms
 - 121-150 Kms
 - 151 Kms & aboveThe Kilo Meters will be calculated for single point supply.
- ii. The transportation cost will be calculated on the HSD & other inputs and should be reviewed after every six months. The transportation cost should be such that the distributor is encouraged to arrange his own vehicle and lift full vehicle load. The reasonability of the cost should be ensured by the concerned CEO.
- iii. In case transportation is arranged by the Plant, the routes should be such that minimum cost should be incurred. In case the plant vehicle is used for supply transportation cost will not be given to the distributor.
- iv. The distributor or his/her authorized representatives has to be physically present at the time of delivery to check the quantity and quality. No claim/return shall be entertained after receiving the material other than genuine quality complaint.
- v. For supply of milk and milk products to modern trade/ Govt. Institutions or any other organization where the contract is between the Plant and the party distributor may be asked to supply the products for which he will be paid the transportation cost plus handling charges mutually agreed.

(14) Multistate (Apart from Haryana and Adjoining areas) Milk and Milk Products Distributor:

- i. MD, HDDCF in consultation with the Chief Executive Officer of all Milk Unions will appoint Milk & Milk products distributors in their untapped/under-utilized operational areas after screening of their applications & interview by a committee consisting of the following members:
- ii. Selection committee:
 - a) Chairman of the respective Milk Union (where supply is to be given)
 - b) CGM (Mktg), HDDCF, Hqrs. Panchkula
 - c) DGM (F&A), HDDCF, Hqrs. Panchkula
 - d) CEO of the respective Milk Union (where supply is to be given)
- iii. For multistate distribution (apart from Haryana and existing markets in neighboring states), any person/party apart from the categories mentioned in clause 3 of the policy who is willing to become VITA Milk and Milk Products (Liquid Milk and Fresh Products) Distributor will be given preference on an exclusive basis. The exclusivity clause is provided to invite new distributors and penetrate newer markets wherein VITA Milk and Milk Products (Liquid Milk and Fresh Products) are nonexistent. However, if two or more distributors are vying for the same markets and exclusivity

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clause mentioned above becomes a hindrance, then priority shall be given to the party who is having better experience of dairy sales, is more financially sound, and has better capacity to increase the sales of VITA Milk and Milk Products (Liquid Milk and Fresh Products) in the new territory.

- iv. In case the existing distributor reaches the sales volume of 1500 trays, either as one firm or in the partnership of firms operated as a single distributor entity, milk unions may recommend appointment of new distributor to the selection committee. Further, the selection committee will ensure that the entity does not seek appointment under different names in immediate family relatives (father, mother, brother, sister, spouse and children).
- v. For multistate distribution (apart from Haryana and existing markets in neighboring states), following is the preference criteria –
- The interested entity should have an annual turnover of ₹ 5 Crore at least in the last preceding three years.
 - Experience of working in milk and milk products distribution in the last three years or FMCG Products
 - Experience of working in FMCG products distribution for at least three years.
 - He should have his own/ hired Refrigerated/Insulated vehicle fleet to supply capacity of minimum 5,000 LPD.
- vi. For multistate distribution (apart from Haryana and existing markets in neighboring states), the newly appointed VITA Milk and Milk Products (Liquid Milk and Fresh Products) Distributor will initially serve a probation period through issuance of LOI for a period of six months instead of regular distributorship appointment letter. The regular appointment letter will be issued only after ensuring that during the LOI period, the concerned distributor has achieved the sale targets assigned to him. If he fails to achieve the sales target, then the LOI period will be extended for a further six months. Thereafter, in case of achieving the sale targets, a permanent appointment letter will be issued & if he fails again then his LOI will be cancelled. This distributorship will be renewed every 3 years as per his achievement vis-à-vis of targets.
- vii. For multistate distribution (apart from Haryana and existing markets in neighboring states), the appointment of distributor, the targets may be set as follows:

Tier-I Cities- More than 1,00,000 population
Tier-II Cities- 50,000 up to 99,999 population

Area of Jurisdiction against Population	Targets (LPD)
For Tier-I Cities, Per 1,00,000 population	5,000
For Tier-II Cities, Per 50,000 population	2,000

The target should be set as per above proportionally. The calculation is based upon the fact that 5% and 2% of the population will buy packed milk in Tier-I and Tier-II cities respectively.

- viii. The transportation charges will be admissible as per the Clause No. 13 of transportation in the policy subject to maximum 150 km slab.

(15) Responsibility:

- The Distributor shall get himself registered as per the provisions of FSSAI Act and ensure that adherence to the FSSAI regulations is meticulously complied with.
- The Distributor shall not sell milk & milk product of any other brand. If the Distributor is found selling milk & milk product of any other brand, his/her cash security of one day will be forfeited by the Milk Union and his contract may be cancelled.

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- iii. The distributor will keep the insulation of vehicle intact so that the temperature of milk and milk products should reach the customer at 5°C.
- iv. For complaints relating to quality, the same should be registered (in written) within 12 hours of supply for exchange. After 12 hours, no complaint shall be entertained.
- v. The Distributor shall be required to perform duties pertaining to collecting the demand of milk and milk products from the retailers, collecting sales proceeds, and increasing sale of milk.
- vi. The Distributor shall provide the daily route chart & will indicate the names, address, and contact details of the retailers along with their product wise demand to the Milk Union. The Distributor shall give timely demand daily to the Milk Union and deliver the milk in time to the retailers. Milk Union may impose an appropriate penalty / fine on the Distributor if the supplies are not made in time. A good & timely supply of milk to the retailer/ institutions shall be the essence of this contract.
- vii. The Distributor shall make alternate transportation arrangements in case of breakdown of the vehicles. Similarly, in case of strike or lockout or Bandhs in his distribution area, the Distributor shall be responsible for making alternative arrangements for this work immediately.
- viii. The Distributor shall maintain records of the retailers in specified format against the stock delivered as well as of empty crates.
- ix. The Milk Union will supply Vita Milk crates to the Distributor which will be kept intact, neat & clean by him. The trays shall be taken back in the same condition daily. No broken crates or crates of any other brand shall be accepted. The Distributor shall return an equal number of delivered crates to the Milk Union on daily basis.
- x. It shall be the responsibility of the Distributor to collect payments from the retail sale outlets within the allocated distribution area. The Milk Union will not be responsible for non-payment/short payment/ credit etc. by any sales outlets, to the Distributor.
- xi. The distributor shall agree to provide information regarding his godown stock & sales statements, statistical data, copies of invoices, other related information etc. in a periodic manner, as required by Vita.
- xii. The Distributor shall have to meet targets fixed by the Milk Union from time to time which will be monitored on daily/monthly basis and his/her performance will be reviewed on quarterly basis on achievement of target will lead to cancellation of his/her contract.
- xiii. The distributor shall agree that no price difference shall be paid for inventory with them, in case of price change.
- xiv. The Distributor shall comply with all the statutory and legal requirements as per various applicable laws, prevailing rules / practices, and procedures. He will always keep the Milk Union indemnified against all liabilities towards his workforce which are to be discharged by him from time to time.
- xv. The Distributor shall carry out, perform and observe the provisions of various Acts such as Shops and Establishment Act, EPF, ESI Acts etc. and any other enactment passed by the Parliament or State legislature and any rules made there under by the appropriate Government, in any way affecting his work-force deployed by him and also indemnify the Milk Union against any liability that may be imposed by law or by the Government for Non-observance of any provisions of the Acts and Regulations applicable to his establishment. In case any of his liability may have to be discharged by Milk Union under any provision of law/regulation, the distributor shall reimburse the same to Milk Union else the amount shall be deducted out of his running distributor account, security, and other dues, if any, or through due process of law.

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- xvi. The distributor will ensure smooth and timely supply of products to Vita milk booths to avoid sale of other brand products and non-permitted items on the booth. The distributor is duty bound to inform the Plant authorities if any non-permitted item is being sold on the booth. Noncompliance by the distributor will be liable for the action.
- (16) MD, HDDCF has all the powers to decide on the points not covered under the policy or anything arising in future for betterment of the organization or on any appeal on any matter of the Vita Milk and Milk Products Distributor Policy.
- (17) **Arbitration:**
In case of any dispute arising out of this agreement, the same shall be referred to MD, HDDCF as sole Arbitrator. The award by the Arbitrator shall be in writing and would be final and binding on both the parties.

