



GAIL (India) Limited

Request for Proposal for Appointment of Credit Rating Agency for GAIL's Credit Rating of Rs. 2000 crores

A. Background

1. GAIL (India) Ltd. was incorporated in August 1984 to develop transportation and marketing infrastructure of natural gas in the country. GAIL executed and commissioned the 1700 kms Hazira – Vijaipur – Jagdishpur (HVJ) gas pipeline system (the longest in India) in 1987-88 as its first project. It has grown organically over the years by building a large network of Natural Gas trunk pipelines, currently around 7000 kms which accounts for over 82% of the total gas pipeline infrastructure in the country. The company today has a diversified business portfolio and has interests in the value added business of natural gas, LPG, Liquid hydrocarbons and petrochemicals and LPG transportation pipeline.
2. GAIL has played a significant role in economic development of the country in general and in Power and fertilizer sector in particular by development of natural gas pipeline infrastructure. The gas pipeline infrastructure laid by GAIL and its efforts in development of gas market besides providing a choice to customers in the form of an alternative environmental friendly fuel has also helped in monetization of the gas reserves and reduction in erstwhile flaring of gas.
3. GAIL is a company with strong financial credentials. The turnover of GAIL in the financial year 2007-08 was over Rs. 18000 crores with a net profit of Rs. 2601 crores. The net profit CAGR of the company in the last 10 years is 10%. The company has a very comfortable debt equity ratio of 0.10 : 1 as on 31st March 2008 with a positive cash position.
4. The international rating agency, Moody's International, Hong Kong, have assigned a Baa2 indicative foreign currency debt rating and A3 local currency issuer rating to GAIL in January 2008.
5. M/s ICRA has also assigned LAAA rating for GAIL's Bond Issue of Rs. 1600 crores including Rs. 500 crores proposed Bond issue which indicate the highest credit quality and rated instruments carry the lowest credit risk. This rating reflects GAIL's leadership position in natural gas transmission business, the

low level of business risks in the business, favorable outlook for natural gas trade, its robust profitability and financial position and strengths derived from the significant sovereign ownership.

6. The company has envisaged a long term strategic plan for growth that includes doubling of the top and bottom lines of the company in the next 5 years time. In this direction GAIL's Board has in November 2007 approved an investment of approx. Rs. 14500 crores for upgrading the capacity of existing HVJ / DVPL gas pipeline system and its further expansion / extensions to Chainsa – Jhajjar - Hissar pipeline (CJHPL) and Dadri – Bawana - Nangal pipeline (DBNPL).

B. General Instructions for Bidding

1. GAIL proposes to invite financial bids from the RBI approved Credit Rating Agencies for the credit rating of GAIL's Bond issue / Bank's fund and non fund facilities (herein after referred as 'Facilities') of Rs. 2000 crores. Parties who wish to be appointed as Credit Rating Agency for Facilities may submit their bids / proposals to GAIL. Necessary information regarding the tender is enclosed.
2. GAIL will appoint the two credit rating agencies for the credit rating of Rs. 2000 crores Facilities on the same terms and condition and GAIL will follow two stage procedures as discussed below for appointment of two credit rating agencies.

Ist Stage

GAIL will appoint the L-1 as Ist Credit Rating Agency for the entire amount of credit rating of Rs. 2000 crores for GAIL's Bond issue / Bank's fund and non fund facilities.

IInd Stage

GAIL will also empanel 2nd Credit Rating Agency for the proposed full facilities on the same terms and condition as of the Ist Credit Rating Agency. GAIL may take the 2nd Credit Rating from empanelled 2nd Credit Rating Agency only. However, GAIL reserves the right to appoint the 2nd Credit Rating Agency for the entire credit rating of Rs. 2000 crores or for lesser amount as and when required.

If GAIL opts to take 2nd Credit Rating from the 2nd Credit Rating Agency for any amount less than Rs. 2000 crores, the initial rating fees and surveillance fees will be paid for the proportionate amount.

3. The bidders are requested to submit their financial proposals as price bid in the attached format. The price bid would also include the SOR indicating therein the prices for the complete Scope.
4. The Bid should be valid for a period of Four months from the date of opening the Priced Bids. The Bidder should submit the price bid along with unconditional acceptance of the terms and conditions of the bid in the requisite format in the envelope and should not contain any condition. Any conditional bid is liable for rejection of the bid.

5. The proposal shall be submitted at GAIL's dispatch section (Central Dispatch Section of GAIL) preferably by hand, latest by 22.06.2009 by 15:00 Hrs. at the address given below. Any bid received after the due date and time shall not be considered. The proposal may be submitted at the following address.

Ms. Nalini Malhotra,
CM (F&A), # 330
GAIL India Ltd.
16, Bhikaiji Cama Place,
R.K.Puram, New Delhi.

6. GAIL reserves the right to accept or reject any of the proposals received at its sole discretion without assigning any reasons whatsoever. Incomplete proposals and proposal submitted after due date or proposals not submitted in the prescribed formats will be rejected.
7. GAIL also reserves the right to cancel the request of quotation / tender without assigning any reasons and without any financial implication on GAIL, what so ever.
8. For any query and for submission of proposals, kindly contact the following officials.

Mr. Atul Aggarwal
Mgr. (F&A)
+91-9999651140

11. Bid shall be opened at 16.00 PM on 22.06.2009 at the Corporate Office, GAIL India Ltd.

C. Scope & Deliverables of the Arranger / Lender

1. The scope of work includes the carrying out the domestic credit rating of GAIL for an amount of Rs. 2000 crores. The rating would be used by the company at the time of raising debt funds and / or for non fund based requirement of GAIL from domestic market.
2. The rating would have interchangeability with fund and non fund based facility. The fund based facility would include loan from banks and financial institution and issue of INR non-convertible bonds.
3. The annual surveillance will be done by the credit rating agency that undertakes the initial rating.

D. Evaluation Methodology

1. Bidder must give their complete and un-conditional consent to the scope of work / deliverable, Schedule of Rates and other conditions as mentioned in the tender document and shall not take any deviation what so ever or give any subjective bid. Any deviation to Bid conditions or subjective bid will lead to the rejection of the bid.
2. The evaluation would be based on the financial bid and the bidder who has quoted the lowest price as per schedule of rate would be awarded the mandate for the Ist Credit rating Agency for domestic credit rating of Rs. 2000 crores for the proposed facilities.
3. L-1 bidders would be selected on the basis of the least cost. The least cost will be calculated as sum of the SOR item no. 1 i.e. initial rating fees for one year plus during the currency of facilities of SOR item no. 2 i.e. annual surveillance fees for 10 years (for evaluation). However, the annual surveillance may vary from 10 to 12 years depending upon the use of facility.
4. For the empanelment of the IInd Credit Rating Agency, first opportunity will be given to L-2 bidder to match the L-1 rates for the proposed facilities of Rs. 2000 crores. In case, the L-2 bidder fails/does not agree to match the L-1 price, opportunity will thereafter be given to L-3 bidder to match the L-1 price and so on.
5. In case, L-2, L-3 or L-4 do not match the L-1 rates for empanelment of IInd Credit Rating Agency, GAIL reserves the right not to appoint the IInd Credit Rating Agency for the Facility.

E. Other Conditions of the Tender

1. The mandated rating agency would be required to enter into a confidentiality agreement with the company as per the attached format. The bidder should give its unconditional agreement to the confidentiality agreement to be eligible for bidding.
2. In case the mandated credit rating agency is unable to complete the transaction successfully as per the Scope of work within the schedule time period due to reasons other than attributable to GAIL, then GAIL has the right to cancel the contract without any financial implication to GAIL and not to consider such rating agency for future rating programme of GAIL in the next 2 years.
3. The fees quoted shall be firm and fixed till the completion of the assignment and shall be inclusive of all taxes and duties except service tax, if any, payable in India.
4. No modification to the SOR is permitted and bidder should quote strictly as per the SOR format.
5. The bidder is required to submit the following document duly signed at the time of bid.
 - a. Letter of unconditional acceptance as enclosed along with this tender
 - b. Schedule of Rate

F. Time Period

Time period of the completion of proposed rating of GAIL will be two month from the date of FOI.

G. Payment Terms

1. 60% of initial rating fees will be released on acceptance of draft credit rating by GAIL.
2. Balance 40% of initial rating fees will be released on acceptance of final credit rating by GAIL.
3. Surveillance fees would be payable after completion of Surveillance exercise by the bidder for that year.
4. The fees would be payable within 30 days from the date of receipt of the cenvatable invoice.

5. No additional out of pocket expenses would be payable. No expense other than the fees as quoted would be payable by GAIL for the entire scope of work / deliverable.

SCHEDULE OF RATES

LOA No: GAIL/F&A/Treasury/Bond/2009

S.NO. (1)	Description (2)	Unit (3)	Quantity(ies) (4)	Amount in INR (in Fig.) 5 = (3*4)
1	Initial Rating Fees for the first year for GAIL's Domestic Credit Rating of Rs. 2000 cr.	Lumpsum	1 Year	
2.	Annual Surveillance Fees for 10 year after completion of Initial Rating Period.	Lumpsum per year	10 Year	
	Total of 1 & 2			

(Authorized Signatory)
(Name and Authorized Signatory)
Stamp of the Bidder

**LETTER OF UNCONDITIONAL ACCEPTANCE OF THE GAIL's
PROPOSED BOND ISSUE**

Ref No.

Date :

To,

GAIL India Ltd..
16, Bhikaiji Cama Place
R.K.Puram, New Delhi.

Sir,

We------(Name of the bidder----- are hereby giving unconditional undertaking that we accept all the terms and conditions with regard to the following for GAIL's proposed Credit Rating programme of Rs. 2000 crores as stated in the bid document.

1. Complete Scope of Work
2. Confidential Agreement
3. Schedule of Rates
4. Time Schedule
5. Payment Terms
6. All the general and other conditions of the tender.

It is further submitted that -----(Name of the bidder)-----will work as per requirement of the GAIL India Ltd. for the successful completion of the proposed bond issue.

The undersigned is authorized to submit the bid.

**(Authorized Signatory)
(Name and Designation)
Stamp of the Bidder**

DRAFT CONFIDENTIALITY AGREEMENT

This Agreement is made on-----,-----, by and between:

GAIL (India) Limited (GAIL hereinafter called as Disclosing Party), a company registered under Companies Act, 1956 and having its registered office at GAIL Bhawan, 16, Bhikaji Cama Place, New Delhi – 110066 and

Credit Rating Agency

----- and -----(hereinafter referred as the receiptent.”).

RECITALS

WHEREAS, the Disclosing Party has provided or will provide information to the recipient for the purpose of issue of Bonds for the Disclosing Party for facilitation of assessment to be made by -----.

As part of its work, the Recipient will receive certain strictly confidential or proprietary information, including, but not limited to, data, records, reports, correspondence, notes, studies, documents and contract formats, and other information disclosed about the Company directly or indirectly by the Company and/or its respective affiliates, consultants, advisors and management (the “Confidential Information”).

Any Confidential Information disclosed by the Disclosing Party and/or any of its respective affiliates, management, consultants, directors, advisors or agents under this Agreement, irrespective of whether it is marked confidential or not shall be treated by the Recipient as confidential.

In consideration for the Disclosing Party agreeing to disclose the Information to Recipient, Recipient hereby undertakes and agrees as follows:

1. Recipient undertakes that any information which the Disclosing Party disclose to Recipient, or to any director, officer, employee, agent or other representative of Recipient, in any form which in any way is required for Recipient's work with GAIL shall be retained in strict confidence and shall not be disclosed or caused or permitted to be disclosed or discussed, published, reproduced or otherwise directly or indirectly to any third party without GAIL's prior written approval and shall not be used by Recipient for any reason other than to conduct the work assigned to him by GAIL. The obligation of Recipient to retain Confidential Information in confidence shall not apply to:

- a). Information which is now in or hereafter enters the public domain beyond the control of Recipient and without its violation of this Agreement; or
- b) Such information, which Recipient discloses under operation of law, rule or legal process;

Provided, however, that (i) the burden shall be on Recipient to prove the applicability of one or more of the foregoing exceptions by documentary evidence should the Disclosing Party question the applicability of such exceptions; (ii) as to exception (b), Recipient provides the Disclosing Party with prompt written notice of any request or legal proceeding through which Recipient may be required to disclose such Information under operation of law, rule or legal process.

2. Recipient agrees to use the Confidential Information solely for the purpose of the work assigned for and for no other purpose.
3. Recipient agrees not take copies of the Confidential Information without the prior written request of the Disclosing Party.

4. Recipient agrees to transmit the Confidential Information only to those directors, officers, employees, agents or other representatives who need access to the Confidential Information for the purpose of carrying out its work for the Disclosing Party and who are informed by Recipient of the confidential nature of the Confidential Information and who agree to be bound by the terms of this Agreement. Recipient further agrees to be responsible for any breach of this Agreement by Recipient or any director, officer, employee or other representative of Recipient.

5. Recipient agrees that all Confidential Information and documents disclosed to Recipient hereunder shall be and remains exclusive property of the Disclosing Party. Any tangible form of the Confidential Information including, but not limited to, documents, papers, computer diskettes and electronically transmitted Information shall be destroyed by Recipient or returned together with all copies thereof to the Disclosing Party promptly upon its request. If such tangible form of the Confidential Information is destroyed, a certification of such destruction executed by a duly authorized officer of Recipient shall be delivered to the Disclosing Party.

6 Recipient's obligations under this Agreement shall survive the termination of its appointment to carryout its work with the GAIL regardless of the manner of such termination, and shall be binding upon its successors and assigns.

7. Recipient agrees that no failure or delay on the Disclosing Party part in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof.

8. Any amendments, changes or modifications to this Agreement must be in writing and executed by authorized officials of both the Parties to this agreement.

9. This Agreement constitutes the entire agreement of the Recipient and the Disclosing Party with respect to the subject matter thereof and supersedes any and all prior understandings and agreements between the Disclosing Party and the Recipient.

10. Any disputes, controversy or claim arising out of or relating to this Agreement, or the breach, termination or invalidity thereof, shall be finally settled by arbitration in accordance the Arbitration and Conciliation Act, 1996 by a sole arbitrator appointed by GAIL (India) Ltd, New Delhi The place of arbitration shall be New Delhi and the language to be used in the arbitral proceedings shall be English. The award of the sole arbitrator shall be final and binding on both parties.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement to be effective as of the date first written above.

GAIL (INDIA) LIMITED

Name of Recipient

By: _____

By _____

Name: _____

Name:

Title: _____

Title:

WITNESS

1.

2.

