

DIRECTORATE OF PUNJAB STATE LOTTERIES

Response to queries on RFP for setting-up and managing online lottery system (14 October 2014)

S.No.	RFP reference	Query	Directorate's Response
Master Trust Limited			
1	Clause 1.1.3, Page 12	What is the provision to increase the number of Point of Sales from current 1700 to more?	No provision to increase the number of Point of Sales from current 1700.
2	-	What are the taxes applicable viz VAT or service tax etc on the sale of the lottery tickets?	No VAT / Service Tax is applicable on sale of lottery tickets at present.
3	-	There are some taxes per draw per game as per the Punjab tax on Lotteries Act, 2005. Who shall bear the same i.e whether the same shall be to the account of Successful Bidder or to the account of the Director Lotteries?	Please refer to Clauses 3.4, Page 8 and 11.1 on Page 15 of the Draft Agency Agreement.
4	Clause 1.2.8, Page 16	With reference to clause 1.2.8, in case there is second round of bidding and a bidder does not want to participate, can he withdraw. If yes, whether the Bid Security of Rs. 5 crore will be refunded as per the time frame mentioned in clause 1.2.4?	Please refer to Clause 1.2.9, Page 17 of the RFP document.
5	Clause 2.2, Page 18	In clause 2.2 on page 20 of the RFP, there is an explanation given as " <i>In case bidder.....shall include each Member of the Consortium</i> ". The query is whether the clarification pertains to only clause 2 to the exclusion of the remainder of clauses of RFP?	In case of a Consortium, the term Bidder includes each Member of the Consortium. Each Member of the Consortium is required to fulfil/ comply with the terms and conditions of the RFP to the extent provided therein.
6	Clause 2.2.9, Page 24	Clause 2.2.9 states that no winding up should be threatened. This should not be there as it is open to interpretation and not decisive under the law of any wrong doing.	Please refer to S.No.1 of Corrigendum.
7	Clause 2.2.11(d), Page 25	Clause 2.2.11 d requires each Member should substantially satisfy pre-qualification requirements. Define substantially? Also, there would be practical scenario where in a consortium a member fulfills the networth criteria and the other members jointly or severally fulfill the technical criteria. The clause 2.2.11 d will result in excluding such consortium from qualification. Please clarify the same.	Please refer to S.No.2 of Corrigendum.
8	Clause 2.7.3, Page 27	Clause 2.7.3 refers to pre-qualification conditions. Should this be interpreted to be the conditions as laid out under clause 2.2? A clarification would be appreciated.	The pre-qualification conditions referred to in clause 2.7.3 include

			the conditions as mentioned under clause 2.2.
9	Clause 2.7.5, Page 27	Clause 2.7.5 refers to the bid being non-responsive and liable for rejection. Now clause 2.19.1 defines what is responsive. We would like to know if the clause 2.7.5 could be amended to ensure that the definition of a non responsive bid being that bid which is not responsive as per clause 2.19.1? Also can the clause 2.19.1 be amended to define that a bid is non responsive if it is not responsive as per this clause? The existing provisions make the responsiveness of bid open to interpretation and the repercussion of forfeiture of Bid security of Rs. 5 crore under clause 2.26.7 are serious.	Please refer to Clause 2.19.1 (k), Page 34 of the RFP document.
10	Clause 2.26.7 c), Page 37	As per clause 2.26.7 c), the bid withdrawal during bid validity will result in forfeiture of Bid Security. Would the bid validity period also cover the period between first round and second round of bidding as provided in clause 1.2.8? What if the bidder who is not highest bidder does not want to participate in second round of bidding?	The bid validity period shall include the period of second round of bidding. Any bidder's non-participation in the second round of bidding shall not be considered default or contravention to the clauses of the RFP.
11	Clause 3.1.1, Page 37	Will the Bid Security be forfeited in case the bid is rejected as per clause 3.1.1?	Please refer to Clause 2.26.7 of the RFP document.
12	Clause 2.16, Page 32	Clause 2.16 or RFP does not provide for the mechanism of withdrawal of the bid and the repercussion of same however clause 2.17.2 hints on the possibility of the withdrawal of the bid. The mechanism of withdrawal of the bid should be clarified and also impact on bid security also be clarified in case of withdrawal.	Please refer to S.No.3 of Corrigendum.
13	Clause 2.17.7, Page 33	Will the Bid Security be forfeited in case of exclusion of the bid as per clause 2.17.7?	Please refer to Clause 2.26.7 of the RFP document.
14	Clause 2.7.1, Page 26	Will the Bid Security be forfeited in case of rejection of the bid as per clause 2.7.1?	Please refer to Clause 2.26.7 of the RFP document.
15	Annexure 1, Page 73	In Annexure 1, what is the nature of the tax given in column 5 of the table?	Tax paid on Punjab lotteries under The Punjab Tax on Lotteries Act 2005
16	Annexure 1, Page 73	In Annexure 1, what is the definition of Gross Profit?	Gross Profit, as referred to in annexure 1, shall mean Receipt minus Expenditure.

17	Annexure 1, Page 73	In Annexure 1, can the department provide the reasons for the gross profit being only being Rs. 5.68 crores as compared to previous year gross profit of Rs. 160 crore plus for three years on receipts which was substantially similar in the previous three years.	The question is beyond the scope of the document.
Pan India Network Limited (Essel Group)			
18	Clause 1.2.5, Page 16	The minimum assured revenue for the first year fixed as higher of 150 Crores for the first year, 200 Cr for the second year and 225 Cr for the third year or 50 % of Net sales appear to be on the higher side. If the project agent run the scheme with 90% pay out how will he pay the 5% to the Govt from the remaining 10% and from where he will pay the trade margins, connectivity cost, personnel cost, Terminals repair and Maintenance cost, Financial cost and office exp. We propose that 50% of net sale clause to be deleted. The MAR should be Rs.72 Cr for the first year, 85 Cr for the second year and Rs.105 Cr for the third year.	No change.
19	Clause 6, Page 10 of DAA	The performance bank guarantee of Rs 100 crores or 6 month guaranteed revenue whichever is higher is on the higher side when the government is regularly taking sale proceeds on weekly basis. Earlier when Punjab Govt. was running its 48 draws of weekly Paper Lottery Scheme it was taking performance Bank Guarantee for 3.52 Cr for 8 draws. We propose that Govt should take Performance Bank Guarantee equivalent to one month Minimum assured revenue.	No change.
20	Clause 7, Page 11 of DAA	As per the terms of the agreement the entire sale proceeds without any deduction of a preceding week will be deposited on the first day of succeeding week. It is suggested that sale proceed after deducting prize money to be deposited with full detail otherwise it will disturb the cash flow as the project agent has to make the payment of prize money on daily basis and he cannot wait for reimbursement of prizes from the government as it is not possible for him to make double investment for prize money. Though the accounts of a particular week will be settled in 4 days but from our past experience it seems difficult to get reimbursement from the Govt. treasury in such a small notice.	No change.
21	Clause 1.1.3, Page 12	The restriction on installation of sale point to the maximum of 1700 is not justified when the entire investment on the project, performance bank guarantee and minimum assured revenue will be given by the Project Agent. It is correct that initially the project agent will not be able to install more terminals but it will increase gradually and if restrictions will be imposed then it will not be possible for project agent to increase the sale to that level to recover their cost. Earlier when Punjab Govt was running its weekly Lottery till year 2010 we had close to 3000 Retailers and the Govt itself had given authorization to all these Retailers by proving boards with the Govt logo. Hence we propose that this clause to be deleted. We also propose that Lottery business should not be treated / taken at par with the liquor business.	No change.
22	Clause 1.1.3,	The current tender is for 24 weekly draws of online Lottery Schemes. We propose that there should be at	No change.

	Page 12	least three sets of Lotteries for 8 draws each for maximum participation. The history of Punjab State Lottery itself speaks that whenever any tender for weekly Lottery was floated it was always in sets.	
23	Clause 14.2, Page 17	The Union Territory of Chandigarh is lottery free zone and hence opening of branch office at Chandigarh will not serve any purpose as the Project Agent will not do any lottery activity in Chandigarh. Hence this clause to be removed and the Project Agent to be allowed to open branch office at any place in Punjab.	Please refer to S.No.4 of Corrigendum.
24	Clause 1.2.1, Page 14-15	As per the tender document Rs. 5 lac to be paid as Bid Processing Charges for every bid and it is non-refundable even an in the case of unsuccessful bidder which is not justified. It is requested that it should be refunded in case of unsuccessful bidders.	No change.
Future Gaming and Hotel Services Private Limited			
25	Clause 1.2.1, Page 14-15	As per the tender form Rs. 5 lac only (Rupees Five lac only) should be paid as Bid Processing Charges for every bid and it is non-refundable even in the case of unsuccessful bidders which appear to be too high. It is suggested that it should be refunded in case of unsuccessful bidders.	No change.
26	Clause 1.1.3, Page 12	The current tender is for 24 draws per day of all kind of lotteries, which is as per Clause No. 3(6) of the Lotteries (Regulation) Rules, 2010. Since the bid is invited for online lotteries, we seek clarification that whether the government will stick to the conducting of online lotteries only or allow the distributor to run any type of lottery later on? Secondly as the tender is for 24 draws per day, the stake and risk probability of the bidders is very high. It is therefore suggested that instead of one set of 24 draws, multiple sets of lotteries will be introduced for maximum participation.	No change. Please refer to the RFP document.
27	Clause 6, Page 10 of DAA	The performance bank guarantee of Rs 100 crores or 6 month guaranteed revenue whichever is higher is on the higher side when the government is regularly taking sale proceeds on weekly basis. The entire risk of investment in setting up the infrastructure is taken by the project agent and hence it is not worthwhile to put the performance bank guarantee at such high rate. It should be fixed as equivalent to two month guaranteed revenue as prescribed in model agreement issued by Ministry of Home affairs.	No change.
28	Clause 1.1.3, Page 12	The restriction on installation of sale point to the maximum of 1700 is not justified when the entire investment on the project, performance bank guarantee and minimum assured revenue will be given by the Project Agent. It is correct that initially the project agent will not be able to install more terminals but it will increase gradually and if restrictions will be imposed then it will not be possible for project agent to increase the sale to that level to recover their cost. Hence this restriction should be removed and there should be no interference from the government side in the appointment of the agents.	No change.
29	Clause 1.2.5, Page 16	The minimum revenue for the first year fixed as higher of 150 crores or 50 % of Net sales appear to be on the higher side. The figure of 150 crores appears to be fixed keeping in mind the daily sale of Rs 5 crore,	No change.

		<p>while the average sale at present from sale of 42 draws is just Rs 3 crore per day. We are also of the view that the sale will definitely reach to the level of Rs 5 crore or more per day, if the government seriously controlled the illegal lottery, satta, parchi running in the market. The Government wants confirm commitment in the form of minimum revenue of Rs 150 crores from the Project Agent but in return just give verbal assurance to the interested parties. We are of the view that if the government is really serious in getting the revenue of Rs 150 crores or more then the fixed clause of minimum assured revenue of Rs. 150 crores should be removed and variable clause of 50% of net sale only should be enforced as it will show the real seriousness on the part of the government. If the government controlled the illegal market, the sale will definitely cross the figure of Rs 5 crore or more per day and they will get the revenue of Rs 150 crores easily and it will be win-win situation for both the Government and the Project Agent. But if the government still feel to fix the minimum amount of guaranteed revenue then on the basis of three sets of 8 lotteries each, it should be fixed as 24 crore plus 40% of net sales whichever is more for each set.</p>	
30	Clause 7, Page 11 of DAA	<p>As per the terms of the agreement the entire sale proceeds without any deduction of a preceding week will be deposited on the first day of succeeding week. It is suggested that sale proceed after deducting prize money will be deposited with full detail otherwise it will disturb the routine of the business as the project agent has to make the payment of prize money on daily basis and he cannot wait for reimbursement of prizes from the government as it is not possible for him to make double investment for prize money. Though the accounts of a particular week will be settled in 4 days but from our past experience it will not be possible to take reimbursement amount from the treasury in such a small notice. The Government can pass the journal entry of prize winning tickets on daily basis on the basis of server report. The amount of any ticket unclaim will be given to government later on as was practiced earlier.</p>	No change.
31	Clause 14.2, Page 17	<p>The Union Territory of Chandigarh is lottery free zone and hence opening of branch office at Chandigarh will not serve any purpose as the Project Agent will not do any lottery activity in Chandigarh. Hence this clause will be removed and the Project Agent will be allowed to open branch office at any place in Punjab.</p>	Please refer to S.No.4 of Corrigendum.
32	-	<p>The tender form is very lengthy and complicated and discourage many interested parties in the trade of lottery. It is suggested that the simple / same tender form which the Government of Punjab earlier floated prior to April 2010 will be floated to encourage the participation of more parties. Secondly the government should clarify that how the excise &amp; liquor policy has any relation with the lottery.</p>	No change.
Summit Online Trade Solutions Private Limited (Sugal & Damani Enterprises Private Limited)			
33	Clause 2.1, Page 7 of DAA	<p>As per Clause No. 2.1 the period of the agency is only for 3 years. In this regard we would like to state that this project requires huge investments to create the infrastructure to sale the online lottery tickets through</p>	No change.

		computer terminals. It also includes installation of Server, arrangement of Communication Systems and to install Point of Sale Terminals at various locations, the agency/agent is also responsible for designing appropriate technology system which includes installation of central server within the state and communication system to transmit the results after the draw; it's a long term huge investment. Therefore, the tenure of the agency should be for a long period may be 7 to 10 years. There is no clause for the project agent to terminate the agreement at any stage if for any reason the project is not taking up or malfunction then the project agent is not able to surrender / terminate the agency. We request / suggest that there should be a clause for termination / surrender toward the project agent	
34	Clause 1.1.3, Page 12 and Clause 2.4, Page 7 of DAA	As per Clause No. 2.4 of the draft agency agreement there is restriction of 1700 terminals for sale of Punjab State online lottery tickets. At one stage you are demanding guaranteed revenue of Rs.150 crore in the first years, Rs.200 crores in the 2 <sup>nd</sup> year and Rs.225 crore in the 3 <sup>rd</sup> year whereas you are restricting the number of terminals to 1700 terminals which is very less. There should not be any restriction on the number of terminals. It is also stated that internationally that one terminal take place in 5000 population in UK with a population of 60 million has a terminal base of 32000.	No change.
35	Clause 4.1, Page 9 of DAA	As per clause No. 4.1 of the draft agency agreement the cost of the paper rolls to be borne by the project agent which is in violation of the Lotteries (Regulation) Rules, 2010. The stationery on which online lottery tickets are to be printed is to be supplied by the State Government.	No change.
36	Clause 7, Page 11 of DAA	As per clause No. 7.2 of the draft agency agreement, the project agent is required to deposit entire sale proceeds in the designated account of the Director State Lotteries on weekly basis and thereafter the project agent may claim reimbursement of prize amount disbursed by him to the prize winners on production of relevant documents including prize winning tickets from the Government. It means that on the part of project agent there is huge double investment; firstly he has to deposit entire sale proceeds with the State Government and parallelly the project agent has to disburse prize amount up to Rs.10,000/- to the prize winners. The project agent is also liable to deposit performance bank guarantee of Rs.100 crores or 6 months of minimum guaranteed revenue to the Government. In this regard we would like to state that once the performance bank guarantee is given by the project agent then there should not be any deposit of sale proceeds to the Government because the project agent has to disburse the prizes to the winners immediately after the draw. It is also important to draw your attention that in online lottery prizes claimed by the winners/project agent through point of sale terminals, the amount claimed should be immediately credited in the project agent's designated account.	No change.
37	Clause 1.2.5,	Since the lotteries of the Government of Punjab are not in operation from last 5 years, therefore, the	No change.

	Page 16	minimum guaranteed revenue on year to year basis is very high. Therefore, on the present market condition in the State of Punjab, the first year minimum guaranteed revenue should not be more than Rs.75 crores and for next couple of years there may be incremental of 15% on yearly basis.	
R.S. Gill			
38	Clause 1.1.3, Page 12	Preamble 1.1.3 bidder is authorised to set up 1700 points of sale across the state. We want them to be atleast 3000 points of sale across the state of Punjab.	No change.
39	Clause 2.2.2, Page 20	In the qualification stage under eligibility for pre-qualification it is mentioned that a minimum gross turnover of Rs 1000 cr in any financial year since 2008-09. This clause indicates that the deptt of lotteries is only promoting those people who are already in this trade. This turnover is expected only from them. We want this clause to be removed to give a fair chance to all.	No change.
40	Clause 1.2.5, Page 16	In brief description of bidding process under 1.2.5 (a) the reserve price for the first year is Rs 150 cr, second year 200 cr and 3 <sup>rd</sup> year 225 cr. These prices are very high. Our suggestion is that the reserve price for first year should be 120 cr, for second year it should be 132 cr and for third year 145 cr.	No change.
41	-	One more important point is that the lottery companies from other states if they want to take out draws of their companies then the department should charge minimum Rs 5 lac fee per draw from them. This fee is necessary for the state lottery to become successful.	No change.
42	-	Kindly also clear that the successful bidder from Punjab will be allowed to operate in other states too.	Please refer to clause 2.7, 2.8 and 11.1 of the Draft Agency Agreement
43	-	Another point to be clarified by the department is that the successful bidder has full authority to take out the draws on daily basis. The deptt will not interfere in this process. The successful bidder will open the draw computer wise and result will be live and timings of the draws will be sanctioned by the deptt. with prior consent.	Please refer to clause 5 of the agency agreement.
44	Clause 1.1.3, Page 12	Last time when state lottery was operational one draw had 3 parts- A-B-C. For this time our suggestion is that it should be in 5 parts. A-B-C-D-E.	No change.
45	-	We need some more clarity regarding total investment and bank guarantees.	Query unclear.