

11TH April 2023

State owned Enterprises Restructuring Unit (SERU)

3rd Floor, Lotus Building, Temple Trees, Colombo 03.

Minutes of the Pre-bid meeting held on Google Meets for Litro Gas Lanka/ Litro Gas Terminals and SLIC

Questions pertaining to SLIC

1. As the Transaction Advisor do we need to appoint our own actuary or will the Client appoint a third party actuary to assist in the Due Diligence and Valuation:
SRU: The Consultant is responsible for valuation and due-diligence.

2. It is stated the proposals need to be submitted before 16.00 hours on 24 April 2023. Is this understanding correct
SRU: No, all proposals need to be submitted before 16.00 hours on 27th April 2023. Please refer to <https://www.treasury.gov.lk/web/sru>

3. Will the segregation of SLIC between its Life and General businesses be completed prior to the appointment of the Advisors, or will the Advisors be responsible for this area as well

SRU: The Advisors will not be responsible for the segregation. We expect the segregation process to be complete prior to seeking investors for SLIC.

4. We note that SLIC is the parent entity of the other 3 SOEs to be restructured. In light of this can we get clarity in terms of how the proceeds from the sale of the other 3 assets will be treated? ie: Will they be dividend out to the government/carved out prior to the sale or will they become part of the funds of SLIC thereby increasing the value of SLIC?

SRU: Canwill Holdings, Litro gas and Litro terminals are subsidiaries of SLIC, which be carved out from SLIC to the Secretary of Treasury prior to successful divestiture of SLIC.

5. Will the transfers of assets such as LTL, LGTL, Lanka Hospital and Canwill Holdings take place prior to the appointment of Advisors for SLIC

SRU: Cannot confirm at this point. To be transferred prior to successful divestiture of SLIC.

6. According to Regulation of Insurance Industry (Amendment) Act No. 03 of 2011, all composite insurance companies must be segregated into life and general insurance companies. Is there a foreseeable delay in this segregation?

SRU: We expect the segregation process to be complete prior to seeking investors for SLIC. We do not foresee a delay. If – for some unforeseeable reason – there is a delay, in the segregation process the divestiture shall also be delayed.

7. There is a requirement to adopt SLFRS 9 and SLFRS 17 by Dec-2024. International insurance corporations in Sri Lanka have already commenced the adoption process. This will require re-statement of financial statements and will have a transaction and valuation impact. Does the Client expect transaction advisory firm to assist in this regard? Is there a requirement for the actuary to assess the impact of SLFRS 9 & 17 as at today for this exercise? This itself will be a complex, time consuming and costly exercise.

SRU: SLIC is expected to commence implementation within three months and expects to complete the adoption by December 2024 for both Life and General Insurance businesses.

8. According to Regulation of Insurance Industry (Amendment) Act No. 23 of 2017, SLIC was exempted from the compulsory listing requirement provided it remains under government ownership. Therefore, when ownership is divested to the private sector, this exemption will not be valid anymore. Under such circumstances, how much time (grace period carved out) will be given to comply with this requirement given that segregation may also have to be completed prior to listing;

SRU: We will work with the consultants on this. From a policy perspective, we have to fall in line with the laws and regulations. However, for practical purposes, if there is a need to give a grace period, we will look at it positively.

9. Are there impediments to the disposal of shares held by the Secretary to the Treasury resulting from the Supreme Court judgment made in 2009 vesting the shares with the secretary to the treasury

SRU: From what we are aware, there are no impediments.

10. What is the status of the case pending at the District Court regarding the settlement of profits made by the Company during the period under private ownership?

SRU: We are currently working on this. We are confident of a satisfactory solution prior to divestiture.

11. What will be the impact of the carve out of the subsidiaries on SLIC?

SRU: Post carve out, the SLIC balance sheet shall exclude these investments, and SLIC should be valued accordingly. SLIC will not be required to take a write off on account of the carve out. .

12. Regarding other strategic investments held in large private sector commercial banks and other listed and unlisted entities, what will be the approach taken?

SRU: Those are all under the purview of SLIC's Investment Committee. We do not have a mandate to interfere in any of those investments.

13. Our understanding is that the Secretary to the Treasury has issued a circular directing all state institutions to obtain their insurance needs from state owned insurers including SLIC. Will this circular be withdrawn immediately upon the divestment of state ownership?

SRU: Our understanding is that this circular is no longer in force.

14. The GoSL controls 99.97% of SLIC. Who controls the remaining 0.03%?

SRU: There are about 13 other shareholders, and we are looking at the option of buying them over before a divestment.

15. In terms of the financial due diligence, please clarify the number of financial periods and balance sheet cut-off date that needs to be considered for the purpose of financial and tax due diligence.

SRU: Since the last 3 years have been unusual – due to Covid and the financial crisis - there may be some abnormalities in the trends. Thus a ten year period may be good to look at.

16. In relation to SLIC, how many freehold properties are there and what would the required extent of title verification be?

SRU: This could be established through the due diligence process.

SLIC: The information is available in the annual reports which can be downloaded from the SLIC website.

LGL/LGTL

1. Are there any regulations governing stipulation of sale prices for domestic and bulk sales of LGL?

SRU: The Consumer Affairs Authority has to approve pricing.

Mr Rathnayake: There is no pricing formula, but going forward the GoSL is keen to have a transparent pricing formula for essential items.

SRU: We will commence work on this immediately.

2. Does the GoSL have plans to liberalize the domestic or the bulk segment by allowing new players to enter the market to sell LPG?

SRU: We will not rule it out, although it has not been discussed as yet.

3. The GoSL controls 99.936% of LGL. Who controls the remaining 0.064%, what is the remedy for these minority shareholders?

SRU: We will look at the possibility of buying these shares prior to divestment.

4. As per the Annual Report 2021 of SLIC, Litro Gas Terminal revenue consists of a throughput fee. How is this determined and will the pricing be regulated after the sale of the entity.

SRU: At this moment, we don't have an answer to that. However, if there is a need to re-look at policies / regulations etc that will help to improve the business environment of the sector we will work towards making the necessary changes as long as they don't have a negative impact.

LGL & SLIC

1. The Transaction Advisor may have to outsource certain specialized activities and thus may require periodic payments. Is there an alternative to what has been proposed in the RFP?

SRU: Based on clause 8.5 in the RFP, Preference will be given to consultants who defer payment towards the final fee. Please propose your payment plan and we shall evaluate it accordingly.

2. How do we propose out of pocket expenses?

SRU: Please quote an all-inclusive fee (inclusive of reimbursable expenses, such as travel and accommodation expenses) for all progress payments. The invoice for such progress payments shall be raised by the consultant upon completion of the deliverables and acceptance of the Client of such deliverable.

3. Will the total fee (inclusive of reimbursable expenses) include taxes?

SRU: Yes, please quote an all-inclusive fee (inclusive of reimbursable expenses). Our evaluation of the fee proposal will not take into account applicable taxes. (Please see attachment 6, financial proposal)

4. Is it necessary to submit a performance bond for the advance payment along with the proposal?

SRU: No, not at the time of responding to EOI / RFP. In the event an advance payment is sought, the successful consultant will be required to provide a bank guarantee to cover such advance.

5. Will the new investor be permitted to rationalize staff or any other operational expenses where it's warranted?

SRU: As it stands the Sri Lankan law does not allow to dismiss employees, unless through a voluntary separation scheme. From what we understand, if the two parties agree to such scheme there is nothing to prevent it being implemented.

6. Have you considered an extension of time lines for submission of proposals?

SRU: We have considered the requests, and accordingly we have extended the deadline to 16:00 hours IST on Monday, 8th May 2023.

7. We understand that cabinet approvals have been granted for divestiture. Does the process need to get Cabinet approval again at any time?

SRU: Next time we go to Cabinet is with a very definitive divestiture proposal, ie. investor X has been identified for entity Y at price A.

8. Is there a specific format for the EOI?

SRU: There is no specific format to be followed for the EOI.

9. Attachment 8 - Should the draft contract be sent along with the RFP, or can it be shared subsequent to the submission of the RFP?

SRU: We hope to work on the contract document attached to the RFP. However, we will consider minor amendments if they are practical.

10. Can editable versions of the RFP attachments be provided?

SRU: for purposes of maintaining a standard document, we wish to not share an editable version

11. Attachment 2 - If the bidding party is a consortium, can each entity provide a brief 2-page description of their business, or should the consortium limit the description to 2 pages in total?

SRU: Please include description of all firms; we can allow up to 5 pages for attachment 02.

12. Attachment 2 - Can the description be limited to the firm, rather than the team, as team profiles are covered under Attachment 4?

SRU: That is fine, only the firm profile / description of firm/s is fine for attachment 2. (Please refer attachment 02)

13. Attachment 3 - What is meant by "assignment name" in this attachment?

SRU: Please provide the name of the entity

14. Attachment 3 - What is the difference between "professional staff months" and "total number of staff months" in this attachment?

SRU: Includes a count of only the estimated professional staff months and not the support staff months

15. Attachment 03- what does similar transactions mean?

SRU: Please provide details of transaction experience in closing sell side transactions and their respective ticket sizes. If such transactions encompass, divestiture of SOEs, transaction advisory expertise in the entity's Sector and cross-border transactions please highlight.

16. Attachment 4 Proposed position (1st point) - is it one candidate per organization for each position listed?

SRU: Please refer amended attachment 04

ATTACHMENT 02
SKILLS, QUALIFICATIONS AND EXPERIENCE OF FIRM/S

Provide here a brief (up to 5 pages) description of the background and organization of your firm/entity for this assignment.

ATTACHMENT 03
FIRM'S EXPERIENCE IN SIMILAR TRANSACTIONS

[Using the format below, provide information on **each assignment** for which your firm, **and each associate** for this assignment, was legally contracted either individually as a corporate entity or as one of the major companies within an association, for carrying out consulting services similar to the ones requested under this assignment. Use maximum of 20 pages.]

Name of the Firm ¹			
Name and address of Client:			
Assignment name:			
Description of Project:	-		
Description of actual services provided by your staff within the assignment:			
Approx. value of the contract:		Duration of assignment (months):	
Location:		Total No of staff-months of the assignment:	
No of professional staff-months provided:		Approx. value of the services provided by firm:	
Start date (month/year):		Completion date (month/year):	
Name of associated Consultant firms or Joint venture partner firms, if any:			
Names of senior professional staff, functions performed, and respective locations (indicate most significant profiles such as Project Director, Team Leader, Partners etc):			

¹Indicate the firms' name or associate firms' name

ATTACHMENT 04

Qualifications and experience of the team that will be handling this assignment (Please provide a detailed CV¹of each member of the team mentioning the level of engagement)

1. Proposed Position : _____
2. Name of Firm [insert name of firm proposing the staff]: _____
3. Name of Staff [insert full name]: _____
4. Date of Birth: _____ Nationality: _____
5. Education [Summarize college/university and other specialized education of staff member, giving names of institutions, degrees obtained, and dates of obtainment]:

6. Membership of Professional Associations: _____

7. Other Relevant Qualifications [Indicate significant qualification/ training.]: _____

8. Languages [For each language indicate proficiency: good, fair, or poor in speaking, reading, and writing]:

9. Employment Record [Starting with the present position, list in reverse order every employment held by staff members since graduation, giving for each employment (see format here below): dates of employment, name of employing organization, positions held.]

From [Year]: _____ To [Year]: _____

Employer: _____

Position held: _____

10. Detailed Tasks Assigned [List all tasks to be performed under this assignment]

11. Work Undertaken that Best Illustrates Capability to Handle the Tasks Assigned

[Among the Services in which the staff has been involved, indicate the following information for those Services that best illustrate staff capability to handle the tasks listed under point 10.]

Name of Service or Project: _____

Year: _____

Location: _____

Employer: _____

Main project features: _____

Position held: _____

Activities performed: _____

1. Certification

I, the undersigned, certify that to the best of my knowledge and belief, these data correctly describe myself, my qualifications and my experience. I understand that any willful misstatement described herein may lead to my disqualification or dismissal, if engaged.

Date: _____

[Signature of staff member or authorized representative of the firm] Day/Month/Year

Full name of authorized representative: _____

¹ This CV can be signed by a senior representative of the Consultant provided that if the Consultant's proposal is ranked first, a copy of the CV signed by the staff member and/or specialist shall be submitted to the Employer prior to the commencement of contract negotiations.

ATTACHMENT 06
FINANCIAL PROPOSAL

Chairman
Standing Cabinet Appointed Consultants Procurement Committee,
State-owned Enterprises Restructuring Unit,
3rd Floor, Lotus Building,
Temple Trees,
Colombo 03,
Sri Lanka.

Attention: []

Dear Sirs,

With reference to the RFP for acting as the Transaction Advisor to the proposed divestiture of Government Ownership of [Entity Name], Colombo, we hereby submit our proposal as per the following;

1. progress payments based on the fulfillment of subsets of deliverables

No.	Deliverables	Total Fees, including reimbursable expenses (USD/LKR)	Applicable taxes
1			
2.			
3.			
4.			
5.			
6.			
7.			
Total Costs			

2. Proposed Capped Fee (percentage)

3. Notes on the Financial Proposal

(Note: Use this space to highlight any specific issues related to the financial proposal that you wish to highlight - please do not repeat any information from the technical proposal. - This proposal remains valid until 26th June 2023.)

Signature of Authorised Signatory:

Name of the Authorized Signatory:

Company Seal:

Signature of Authorised Signatory:

Name of the Authorised Signatory:

Company Seal:

Date: