

Annexure
(Draft Agreement)

(On Non-Judicial Stamp paper of appropriate value)

INCENTIVE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of _____, 2020

BETWEEN

Petronet MHB Limited, a Joint Venture company of M/s Hindustan Petroleum Corporation Limited & M/s Oil & Natural Gas Corporation Limited having its Registered Office at Corporate Miller, 2nd Floor, Block B, 332/1, Thimmaiah Road, Vasanth Nagar, Bangalore 560052 (hereinafter called “**PMHBL**”) which expression wherever the context so far requires or admits - shall be deemed to include its successors in interest, executors and permitted assigns on the **ONE PART**.

AND

..... (**Customer**), a Company incorporated under the provisions of the Indian Companies Act, 1956 having its Registered-office (herein after called ‘.....’) which expression where the context so for requires or admits shall be deemed to include their successors in interest of the **OTHER PART**.

WHEREAS

- (A) PMHBL is operating 362.363 Kms Cross Country Pipeline from Mangalore to Bangalore via Hassan for transportation of Petroleum product.
- (B) PMHBL pipeline is operated on Common Carrier principle under authorization of Petroleum and Natural Gas Regulatory Board.
- (C) PMHBL is offering incentives to Oil Marketing Companies (OMCs) on non-discriminatory basis which are willing to transport their petroleum product through PMHBL pipeline.

NOW THIS AGREEMENT WITNESSETH AND IT IS HEREBY AGREED BY AND BETWEEN THE SAID PARTIES HERETO AS FOLLOWS:

- 1) M/s (*Customer*) hereby commits the following additional volume to be transported from PMHBL pipeline, delivery destination being Hassan and Devangonhi, which will be eligible for incentive:

Period 2020 to 2021 i.e. one year 2021 to 2022 i.e. one year 2022 to 2023 i.e. one year
Hassan Total volume commitment (TMT)			
Hassan benchmark Volume (TMT)			
Hassan – Additional Volume Commitment over benchmark Volume (TMT)			
Devangonhi Total volume commitment (TMT)			
Devangonhi benchmark Volume - (TMT)			
Devangonhi Additional Volume Commitment over benchmark Volume (TMT)			

- 2) The monthly benchmark volumes shall be as per **Schedule I**.
- 3) PMHBL hereby commits to pay the following incentive to M/s as per the schedule mentioned herein:

Period 2020 to 2021 i.e. one year 2021 to 2022 i.e. one year 2022 to 2023 i.e. one year
Hassan (Rs. Per TMT)			
Devangonhi (Rs. TMT)			

4) Weightage factor for Incentive Payment

- (i) 50% of applicable incentive amount will be payable outrightly for incremental volume over and above the benchmark volumes.
- (ii) Balance 50% incentive amount for such incremental volume will be payable by multiplying respective percentile thruptut weightage factor arrived as per **Schedule II**.

5) **Release of Incentive Payments**

- a) The incentive will be offered for incremental volume for each month over and above the respective monthly average worked out as per *Schedule I*.
 - b) Monthly Incentive will be given subject to surpassing the benchmark volumes for location(s) individually.
 - c) The incentive will be offered on monthly basis as long as the thruptut is above the respective month benchmark thruptut individually at Hassan and Devangonhi and there is no carried forward shortfall in the year.
 - d) In the event of shortfall in thruptut of(*Customer*), in any or successive months compared to monthly benchmark as per *Schedule I*, same shall be carried forward until such cumulative shortfall is made up by incremental volume(s) over benchmarks of subsequent months and a net incremental volume is achieved qualifying for the incentive.
 - e) If(*Customer*) defaults in any year on overall year thruptut in offering the incremental volume for any one or both locations (Hassan & Devangonhi), the offered incentive scheme stands withdrawn prospectively for that particular location (s) as the case may be.
 - f) PLT invoices shall be raised on monthly basis by PMHBL at PNGRB notified tariff order for respective month benchmark thruptut plus carried forward shortfall in the year. For the incremental volume, the applicable incentive would be reduced from PNGRB tariff. GST would be raised on overall monthly invoiced amount.
- 6) The incentive and committed volume shared under this Agreement shall not be disclosed or otherwise used in any other manner by any party without the prior written approval of the other Party except when required by applicable law, regulations or Governmental procedure.
- 7) The parties to this agreement undertakes that they shall not and shall ensure that none of their affiliates or employees shall, either on their own account or in association with others engage or participate directly or indirectly, during the currency of this agreement, solicit, canvas or entice away (or Endeavour to solicit, canvas or entice away) any customer/ OMCs who are uplifting/ intends to uplift the petroleum products from PMHBL pipeline.

8) Termination of Agreement

This agreement can be terminated by either of the party by giving a prior written notice of three months under following circumstances:

- a. There is or becomes any Law that makes the performance of the terms of this agreement illegal or otherwise prohibited, or any Governmental Authority issues an order restraining or enjoining the transactions under this agreement.
- b. Any of the obligations set out in the agreement have not been, or it becomes apparent that any such conditions will not be, fulfilled.
- c. If either party fails to perform, has made or makes any inaccuracy in, or otherwise materially breaches, any of its covenants, representations, or obligations, and the failure, inaccuracy, or breach continues for a period of 30 days after the other party delivers notice to the defaulting party reasonably detailing the breach.

9) Arbitration

Any dispute or difference whatsoever arising out of or in connection with this Agreement including any question regarding its existence, validity, construction, interpretation, application, meaning, scope, operation or effect of this contract or termination thereof shall be referred to and finally resolved through arbitration as per the procedure mentioned herein below:

- a) The dispute or difference shall, in any event, be referred only to a Sole Arbitrator.
- b) The Parties shall mutually agree and decide upon the name of the Sole Arbitrator who shall not be employees of either party nor connected to either party, in any way prohibited by the Arbitration & Conciliation Act, 1996. Failing this, a party is free to approach the Court of competent jurisdiction for making an appointment
- c) The language of arbitration shall be English language.
- d) The venue and seat of Arbitration shall be Bangalore, India.
- e) The fees and costs of the Arbitration proceedings, shall be borne equally by both parties, unless otherwise directed by Sole Arbitrator.
- f) Subject to as aforesaid, the provisions of the Arbitration and Conciliation Act, 1996 and any statutory modification or re-enactment in lieu thereof shall apply to the Arbitration Proceedings under this clause

Miscellaneous

- 10) If PNGRB reduces the tariff from those prevailed in 2019-20, the incentive specified in Cl. 3 stands prorated reduced.
- 11) The agreement shall come into force from the date hereof & shall be in force & effective till
- 12) Each of the parties shall by notice in writing designate their respective authorized representative through whom all communication shall be made.
- 13) The obligations of parties shall survive the termination of this agreement.
- 14) If any provision of this agreement is declared to be invalid or unenforceable, such invalidity or unenforceability shall not prejudice or affect the remaining provisions of this agreement, which shall continue in full force & effect.
- 15) Neither Party shall assign, pledge or otherwise transfer any of its rights, interest or obligations hereunder, whether by operation of law or otherwise, without the prior express written consent of the other Party.
- 16) This agreement shall be governed exclusively by the laws of India and the Courts in the city of Bangalore shall have the exclusive jurisdiction.
- 17) This Agreement contains the full and complete understanding of the parties with respect to the subject matter hereof, and supersedes all prior representations and understandings, whether oral or written. This Agreement may be amended only in writing by mutual agreement of the Parties.

IN WITNESS WHEREOF the Parties hereto have signed this Agreement at Bangalore through their respective authorized signatories on the Date and Year first hereinabove written:

Party	Signature	Name	Designation
First Party			
Second Party			
Witness			
Witness			

Schedule I
Monthly Benchmark Volumes

Month	Benchmark Volumes (TMT)	
	Hassan	Devangonhi
April		
May		
June		
July		
August		
September		
October		
November		
December		
January		
February		
March		
TOTAL		

Note:

- a) *Commencement of scheme need not be from April month, it can be effective from any month as per customer's need.*
- b) *Monthwise and yearly benchmark will be arrived in the above format, w.e.f the month actually customer enters into agreement for incentive scheme*

Schedule II

Weightage factor for Incentive Payment

<i>Sr.No</i>	<i>Hassan</i>			<i>Devangonhi</i>		
	<i>Weightage Factor</i>	<i>Incentive Amount Payable (Rs/MT)</i>		<i>Weightage Factor</i>	<i>Incentive Amount Payable (Rs/MT)</i>	
		<i>1 Year</i>	<i>3 Year</i>		<i>1 Year</i>	<i>3 Year</i>
1	a*	$[0.5 \times 95] + [a \times 0.5 \times 95]$	$[0.5 \times 120] + [a \times 0.5 \times 120]$	b*	$[0.5 \times 155] + [b \times 0.5 \times 155]$	$[0.5 \times 200] + [b \times 0.5 \times 200]$

**Note: Weightage factor 'a' & 'b' will be based on customer's benchmark as per the scheme.*
