

ESSAR

OIL & GAS

Ref.: UP-W-1749
Dated: 16/04/2015

Mr. Jainendra Kumar Narbar
S/o Mr Dhan Singh
Mrs. Sumitra
W/o Mr. Dhan Singh
House No. B-49, Sector 14,
Noida
Gautambuddh Nagar
Uttar Pradesh

Essar Oil Limited
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Sub.: Letter of Appointment-Franchise for selling MS/HSD/Lubes.-Registration No[UP-W-1749]

Sir & Madam,

1 Pursuant to your Expression of Interest dated 24/03/2015, we are pleased to appoint you as a Franchisee of Essar Oil Limited (the Company) for the proposed Retail Outlet (R.O.) at land bearing Khasra No. 147, Village Azamgarh urf Ratangarh, Tehsil Chandpur, Dist. Bijnor, Uttar Pradesh. This Letter of Appointment (LOA) outlines the broad terms and conditions that will apply to your Franchise.

2 Please note that this summary of indicative terms and conditions is not meant to be, nor shall it be construed as, an attempt to define all of the terms and conditions of your appointment as a Franchisee. The final and complete set of terms and conditions governing this appointment will be spelt out in the Franchisee Agreement.

2.1 Name of the Franchisee : Mr. Jainendra Kumar Narbar
Mrs. Sumitra

2.2 Site address : Khasra No. 147,
Village Azamgarh urf Ratangarh,
Tehsil Chandpur,
Dist. Bijnor,
Uttar Pradesh

2.3 Land / Lease:

2.3.1 You shall make available the above land to the Company on a long term lease as per the requirement of the Company and shall execute a lease deed with the Company for setting up an outlet for retail sales of the Company's products. This LOA is subject to the execution of the lease deed by you.

2.3.2 The Company will pay lease rent @ 5% p.a. on the valuation of the land to be taken on lease. The total area of land agreed to be taken on lease is 1225 sq. meters (35 Mtrs. X 35 Mtrs.). The assessed and agreed lease rental payable shall be Rs. 3750/- (Rupees Three Thousand Seven Hundred Fifty Only) per month. The lease rent will be reduced proportionately, if the actual area of land taken on lease at the time of execution of lease is less than the above mentioned area. The said lease rent @ 5% p.a. would be payable on a quarterly basis from the date of completion of the RO in the manner contemplated herein below.

2.4 Site and RO Development:

- 2.4.1 You shall undertake at your cost, all civil constructions but only after receipt of consent from our end to commence the construction. The structure / design of the RO would be strictly according to the standards and specifications laid down by the Company. The equipment required for storage and dispensation of the Company's products shall be as per the specifications of the Company and either supplied by the Company at cost or shall be procured by you only from the manufacturers /suppliers specified in this regard by the Company.
- 2.4.2 You shall fully develop the infrastructure at the RO as per the requirement of the Company in terms of buildings, pumps, tanks, site development, signages, etc. You shall be given a detailed and complete break up of the investment required for your particular site, which would depend upon the location / business potential of your site as per our mutual assessment. Our Engineer's certification for the quality and specification shall be final.

2.5 Application Fees:

- 2.5.1 An amount of Rs. 3,00,000/- (Rupees Three Lac Only) is payable as and by way of non-refundable, non-adjustable, interest free application fee. This Application Fees shall be forfeited by the Company even in case you withdraw your application at any stage hereafter.
- 2.5.2 We confirm to have received your DD No. 002016, dated 23.03.2015 drawn on HDFC Bank for Rs. 3,00,000/- (Rupees Three Lac Only), towards the said Application Fee.

2.6 Franchisee Remuneration (ROI):

You will be paid a Return on Investment (ROI) limited to the normative costs or the actual costs, whichever is lower, based on the specifications provided by the company on the agreed civil construction and cost of equipment as per the policy of the Company, subject to your achieving the agreed sales volume. In the event of any shortfall in achieving the said target volume by you as mentioned in clause 2.7 below, ROI payment would be proportionately reduced. The Company has the right to withhold / stop the payment of ROI to you, even after Commissioning of the Retail Outlet, in case any further standardization is required at the Retail Outlet as per the policy or in the opinion of the Company or if you do not run the Retail Outlet, as per the policies and instructions of the Company. The ROI is payable only at the sole discretion of the Company and it cannot be claimed by you as a matter of right. There will be no payment of ROI by the Company for the period, if you deliberately stop drawing supplies of products from the Company

2.7 Sales Targets:

- 2.7.1 Based on the site survey, it is observed that the said site bears good sales potential. As estimated and agreed by you, you shall achieve a sales volume of

MS 40 KL per month
HSD 80 KL per month

Any shortfall in achieving these targets in a particular quarter shall proportionately reduce the payment on ROI in terms of clause 2.6 and would automatically result in reducing the ROI for that quarter.

2.7.2 These targets are subject to revision from time to time without notice at the sole discretion of the Company depending upon various factors that shall be exclusively decided by the company.

2.8 Franchisee Sales Margin:

For the purchases of MS & HSD made by you from the Company you will be entitled to Franchisee Commission at the rates to be fixed by the Company and communicated to you from time to time.

2.9 Other business activities:

You will be required to set up certain other business activities on the site, as may be decided by the Company, from time to time, on such terms and conditions as may be agreed between the Company and yourself. However, you are precluded from setting up or carrying on any other business activities at the site, except those for which you have been specifically authorised by the company from time to time.

2.10 Working Capital:

You shall arrange the necessary working capital for efficient and uninterrupted operation of the RO to the satisfaction of the Company.

2.11 Exclusivity:

2.11.1 The aforesaid premises and the equipment installed at the site shall be used for the sole and exclusive purpose of storing and selling the Company's products, including, without limitation, MS, HSD, lubes and such other allied products / services as shall be introduced by the Company from time to time and in the manner and on terms as may be intimated to you by the Company.

2.11.2 You shall not take up the RO dealership / franchise or any such business of any other Oil Company while you are a Franchisee of Essar Oil Ltd. without the prior permission of the Company.

2.11.3 The company shall not permit you to purchase / sell any products(s) not authorised by the company from the RO.

2.12 Operational and Maintenance costs:

2.12.1 The maintenance of equipment & civil constructions shall be undertaken by you on a regular basis in order to keep the assets in good working condition at all times and to the entire satisfaction of the Company.

2.12.2 All related operational and maintenance costs including electricity charges, water charges and other taxes and duties, with respect to the RO shall be borne by you.

2.13 Supplies:

MS/HSD will be supplied to you by the Company or its designees in bulk tank lorries against indents signed by you. Normally you will need to provide at least 48 hours of notice to the supply location to enable supply location to maintain timely supplies to you. The supply of products shall be at the sole discretion of the Company and you shall not make any grievance, if the Company is unable to supply the products for any reason whatsoever.

2.14 **Terms of Payment:**

You will pay the full value of the invoice, in advance by Demand Draft / RTGS as per the policy of the Company.

2.15 **Inventory:**

You shall ensure that adequate inventory of products sold from the RO is always maintained so as to ensure uninterrupted supplies to your customers at all times. To ensure this, stock in your RO tank(s) should never go below a level equal to 3 days of your average sales from RO plus sales equal to transit time by road from the supply location.

2.16 **Purchase Price:**

2.16.1 The products shall be sold to you at Company rates prevailing at the supply location on the date of delivery. These prices shall be subject to revision without prior notice at any time. The Company has absolute discretion regarding the pricing of the products.

2.16.2 The Company wants to make it very clear that the pricing for petroleum products being linked to international prices for crude oil and the Company does not have any control over the same and the Company is constrained to revise the prices in tandem with the same. You are further advised that the Private Oil Marketing Companies are not covered under the purview of pricing restrictions of the Government nor do they get any financial support from the Government and therefore, pricing of the products is dependent on various factors like the government policies, industry factors and the price of crude in the international market etc. which are beyond the Company's control. You shall not make grievance of any nature whatsoever in that regard and shall never make any unreasonable demand for supply of products at PSU rates.

2.17 **Quality and Quantity:**

You will ensure the sale of correct quantity / quality of petroleum and other allied products to customers as approved by the Company or its authorised suppliers of products & service providers. You shall take every precaution against any possible contamination of the Company's product by water, dirt or other things detrimental to their quality and shall not in any way directly or indirectly alter the specifications of the said products.

2.18 **Selling Price:**

2.18.1 The selling price for the Company's Products and other products & services shall not exceed the prices as advised by the Company from time to time and displayed prominently as required by the government authorities.

2.18.2 You shall prominently display the opening stock / authorised selling prices of products on the RO premises.

2.19 **Promotional Activities:**

You will fully co-operate and participate financially and otherwise in all sales promotional activities, which may be initiated by the Company and / or by such companies whose products /services will be sold from the RO.

2.20 House-Keeping:

You will ensure that the RO is adequately illuminated and the driveways of the RO are kept clear and in proper condition so as not to hinder the smooth flow of traffic at the outlet. The RO premises must be kept clean as per standards laid down by the Company.

2.21 Working Hours:

The working hours of the RO shall be prominently displayed. Holiday notices shall be displayed well in advance. Notwithstanding the above, in the interest of sales and customer convenience the Company at its sole discretion may require you to operate the RO round the clock.

2.22 Management:

It would be obligatory on your part to:

- I) Manage the RO efficiently and tap the full sales potential of your trading zone.
- II) Employ dedicated and well trained staff to render courteous and efficient service to the customers.
- III) Ensure training of the staff and employees on a continuous basis to enhance customer satisfaction and safe operation of the RO.
- IV) Pay salary/wages to your employees and provide them such service conditions which do not violate any of the applicable Laws /Rules etc., which may be in force from time to time.
- V) Maintain all books and details of sales and stocks as prescribed by the company and make these available for scrutiny by the authorised staff and other concerned officials of the Central / State Government without any let or hindrance.

2.23 Licenses and Registration:

You shall ensure compliance with all statutory / regulatory requirements as may be necessary for setting up and operating the RO.

2.24 Storage license:

The storage license from the Department of Explosives and all other statutory approvals and clearances shall be obtained by you and kept renewed from time to time, at your cost, in the name of Essar Oil Limited. The Company shall render you necessary advice and assistance for this purpose as and when required. Such licenses and approvals will be kept / displayed in the RO for scrutiny by the Company / Statutory authorities.

2.25 Penalties:

In case you are found indulging in malpractices viz.adulteration, diversion of tank lorries, procuring product from unauthorised sources etc. you shall be liable for penal action as per the company policy laid down in this regard from time to time.

2.26 Indemnity:

You shall at all times indemnify and keep indemnified the company, its directors, officers, employees, agents and suppliers from and against all claims, demands actions, proceedings, losses, damages, costs, charges and expenses which may be made or brought or

commenced against them on account of any act of omission or commission on your part in connection with the above.

2.27 General:

You shall fully comply with all directions / instructions from the company as may be communicated to you from time to time.

2.28 Jurisdiction of courts:

The courts in the city of Mumbai alone shall have jurisdiction to entertain any application or other proceedings in respect of any issues arising out of this letter.

2.29 Arbitration:

All disputes and / or claims arising out of or relating to this arrangement or any breach or alleged breach of any of the covenants thereof or as to the interpretation of any clause / provision of this arrangement shall be referred to a Sole Arbitrator to be appointed by the Company and the proceedings shall be governed by the provisions of the Arbitration and Conciliation Act, 1996 or any statutory modification or re-enactment thereof, from time to time in force. The venue of such arbitration shall be Mumbai and the language of the proceedings shall be English.

3 Anti-bribery Obligations:

You are aware that the Company being a subsidiary of Essar Energy Plc is bound to comply with the provisions of UK Bribery Act, 2010 and Essar Energy Plc's Anti Corruption Code/ Policy:

- i. You shall comply with all relevant laws applicable to the activities performed by you under this LOA including all relevant anti-corruption laws. You shall not, and nor shall any of your officers, employees, representatives or agents ("Associated Parties"), directly or indirectly, make or offer any payment, gift or other advantage with respect to any activity/matters which are the subject of this contract which (i) would violate any anti-corruption laws or regulations applicable to you or your Proprietorship concern / Firm or business thereof, (ii) is intended to, or does, or would influence or reward any person to act or reward any person for acting in breach of an expectation of good faith, impartiality or trust, or which it would otherwise be improper for the recipient to accept, (iii) is made to or for a Public Official with the intention of influencing such a person and obtaining or retaining an advantage in the conduct of business, or (iv) which a reasonable person would otherwise consider to be unethical, illegal or improper (any one of (i) to (iv) being a "Corrupt Act").
- ii. You represent and warrant that you and your Associated Parties have not engaged in any Corrupt Act prior to the date of this contract. For the purposes of this LOA, "Public Official" includes, without limitation, any person holding or acting on behalf of a person holding legislative, administrative or judicial office, including any person employed by or acting on behalf of a public agency, a state owned or public enterprise, a public international organization, any federal or regional government department or agency, any political party, or any candidate for political office, or a relative or associate of any such person.
- iii. You shall have in place appropriate anti-corruption systems and controls such as are reasonably likely to be regarded as constituting "adequate procedures" for the purposes of section 7 of the UK Bribery Act 2010.
- iv. During the term of this LOA, you shall (i) properly and accurately record in your Books and Records all transactions which relate in any way to this contract ("Transaction Records"), (ii) provide the Transaction Records and/or any other such information as EOL/Company may

reasonably require by notice in writing in order to monitor your compliance with your obligations under aforesaid clauses. For the purpose of this clause "Books and Records" shall be deemed to include, without limitation, corporate records, bank statements, books of account, supporting documentation and other records and documentation (including without limitation, invoices, transfer documents and any other documents), whether in paper or other form.

- v. You hereby undertake not to share any fees, commission or other reward paid to you by EOL/Company with any Public Official or with an Associated Party of a business partner or potential business partner of EOL/Company.
- vi. To the best of your knowledge and belief, neither you nor any of your Associated Parties:
 - a. has at any time been found by a court in any jurisdiction to have engaged in any Corrupt Act (or similar conduct);
 - b. has at any time admitted to having engaged in any Corrupt Act (or similar conduct); or
 - c. has at any time been investigated or been suspected in any jurisdiction of having engaged in any Corrupt Act (or similar conduct).
- vii. Without prejudice, in the event EOL/Company reasonably suspects thereto have been a breach of this Clause; EOL/Company may terminate the LOA immediately upon giving notice of one month in writing to you.
4. Information regarding Engineering Design, Architecture, Logo and other Visual Manifestations, list of vendors for the supply of Pumps, Tanks and Equipment shall be forwarded to you separately.
5. The Company reserves the right to withdraw this LOA at anytime, if it is observed that any of the aforesaid terms and conditions have not been fully complied with, or the Company is not satisfied with the progress towards development of the RO or for any other reason as it deems fit.
6. The LOA is valid for a period of 60 days from the date of issue and thereafter is subject to extension after our review, if within such period a Land Lease Agreement and a Franchise Agreement etc. have not already been signed.
7. Please note that after receipt of the-NOC, which has to be in the name of the Company, and before you start the construction, we would need to have a detailed meeting with you to explain the specification, standards, costs, returns and engineering details etc. Till such time, no construction should be undertaken by you. If at any time it is noticed that the construction work at the RO does not meet with the designs and specifications prescribed therefor by the Company, you may be asked to demolish such constructions made by you and once again reconstruct the RO strictly in line with the designs and specifications prescribed therefor by the Company. The Company's decision in this regard shall be final and binding on you. Please note that such reconstruction work shall be done by you entirely at your cost and the said cost shall not be taken into consideration while calculating the normative cost.
8. The LOA issued by the Company is a confidential document and you shall not disclose the contents of this document to any other person and/or competitors of the Company nor will you give a copy of the same to anyone.
9. Please return the duplicate copy of this letter duly signed as a token of your acceptance of the above terms, on receipt of which we shall draw a formal Agreement and Land Lease Agreement spelling out in addition to the above, the detailed terms and conditions on which the RO would operate and you would act as our franchisee for the subject RO.
10. Along with the said duplicate copy to be returned to us please provide the following information:

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- (i) Name and style of the firm (subject to Company's approval) in which you would like to operate along with an authenticated copy of the registered partnership deed or any such document applicable to the particular structure of your firm, if any. You shall not change the name or the constitution of the said firm nor dissolve the firm, without obtaining the previous consent in writing of the Company which consent may be given by the Company at its sole discretion and on the terms and conditions it may deem fit. Please note that any change in the name / constitution of the firm without our consent shall not be accepted by us and we shall continue to make all payments in the name of the franchisee firm as existing in our records.
- (ii) Complete address for correspondence with telephone and fax numbers.
- (iii) Copy of Income Tax Permanent Account Numbers (ADQPN2621R).

11 We thank you for your interest in Essar Oil RO Franchise and assure you of our full co-operation and support in the pursuit of our common objective of setting up / operating the RO in an efficient manner.

Thanking you,

Yours faithfully,

For Essar Oil Limited


16-4-15
Authorised Signatory

Received the LOA and hereby accept all the conditions contained in the LOA.

Signature: 