

Criteria for the grant of licence to new Oil Marketing Company

Main features of criteria for grant of licence to new oil marketing company are as follows however for details please see next pages:

- The applicant is a private or public limited company registered under the laws of Pakistan
- The company is not affiliated in any form with any existing oil marketing company operating in Pakistan
- Company shall first uplift petroleum products produced by the local refineries before opting for import of the same.
- Company should have experienced personnel in oil marketing from national and international oil industry
- Marketing plan should include supply arrangement, plan for setting up retail outlets over a period of 3 years and compliance with laid down standards such as Depots, Retail Operations and Road Transport
- Marketing license will be provisional for 3 years till the marketing plan is executed/ implemented.
- Investment plan should concentrate on development of depots, installation etc. and must create minimum storage of 20 days of their proposed sales, within 3 years.
- The company has a total investment capacity of not less than 500 million rupees over an initial period of three years, with minimum upfront equity of 100 million rupees based on the criteria of 60:40 debt/ equity ration, supported by a due diligence certificate from a scheduled bank or financial institution
- Sponsors/ Directors/ Relatives of Sponsors/ Directors are not involved in any criminal case, bank/ loan or direct/indirect Federal tax defaults and no case is pending in National or International courts for recovery of loans/ tax frauds etc.
- Company will take necessary steps in advance for protection of environment as per applicable rules.
- The company will operate in accordance with the terms and conditions of the license as prescribed by the Licensing Authority under the Rules.

CRITERIA FOR ISSUANCE OF PETROLEUM PRODUCTS MARKET LICENSE

I) Corporate Structure of the Company.

Corporate structure is important from the point of view of protection against leakage in Government revenues i.e. duties taxes and sales tax. Therefore the prospective company shall be a Private /Public Limited company quoted on the Stock Exchange or unquoted Private / Public Limited company registered in Pakistan. However, the prospective company should not be affiliated in any manner with existing oil marketing company operating in Pakistan.

II) Experience in Oil Marketing

The prospective company should have experienced personnel in oil marketing from national and international oil industry. Moreover, technical collaboration/ franchise agreement within the national/ international oil industry other than the oil marketing companies operating in Pakistan shall have an added advantage.

III) Marketing Plan

The Marketing Plan of the prospective candidate shall constitute the following provisions:-

- a) The plan shall highlight the supply arrangements and it shall be incumbent on the new company to first uplift local refinery product and only deficit volumes as determined by OCAC shall be imported.
- b) A specific plan for setting up retail outlets over a period of 3 years should be given. The number of retail outlets to be setup during the interim period of three years shall commensurate with the Marketing Plan being submitted by the prospective applicant. The plan shall further specify the cities/ locations where the retail sites are to be set up. The Marketing plan should provide coverage both in urban/rural areas and also in far flung area.
- c) Compliance with the laid down standards of Retail Operations, including environmental and safety standards.
- d) A transport plan should be included as part of the marketing plan which shall include a commitment that road transport used will meet safety and petroleum products transport standards.
- e) The company should have to comply with the depot operations standards and maintain adequate stock
- f) Marketing License should be provisional for 3 years till the marketing plan is executed / implemented. In case of failure to comply with the above condition, the Licensing Authority will not renew the marketing license. Depending on the nature of the non-compliance, the Licensing Authority may also impose a penalty in such circumstances.

IV Plan for Investment in Infrastructure

- a) A new company should develop storages at locations and capacities corresponding to their business strategy, estimated business volumes and associated economics.
- b) Investment Plan of the company should concentrate on:
 - I. Infrastructure development of depots, installations etc.
 - II. The new company must create minimum storage of 20 days of their proposed sales as infrastructure prior to beginning sales in the country. A specific plan to this effect over a period of 3 years shall also be provided.

V Financial Capability

- a) Equity investment should commensurate with the marketing plan being submitted by the new company. However, the prospective company shall have investment capability of Rs.500 million or more over a period of 3 years with a minimum upfront equity of Rs.100 million. Equity investment should however, be based on the criteria of 60:40 debt/ equity ratio. The group sponsoring the company should be of repute having adequate financial resources to manage the new entrant in the initial period.
- b) The company should have capability to raise funding from commercial banks/financial institutions. A letter of support from banks/ financial institutions must be provided with the application.

VI Bank Default/ Criminal Proceedings

The prospective company shall submit an affidavit confirming that:-

- a) None of the Sponsors/ Directors/ Relatives of sponsors/ Directors is involved in any criminal case and or bank/ loan and direct and indirect Federal taxes default.
- b) No case is pending in National or international courts for recovery of loans/ tax frauds etc.
- c) All exercise formalities completed as per rules and regulation prescribed by the CBR prior to start of commercial operation.

Bank default/ criminal proceedings shall apply to sponsors/ Directors and other persons in accordance with the relevant law.

VII) The products to be marketed should conform to the GOP approved specifications.

VIII) The company should take all necessary steps in advance, for protection of environment as per applicable rules.

IX) Validity of License

The company will operate in accordance with the terms and conditions of the license as prescribed by the Licensing Authority under the Rules.