

PetEx Business Partner

What is a PBP?

- 1) PBP is a company which is registered by PetEx as a member, conferring upon him a right to trade as a Buyer and a Seller in all the nine market segments of products defined by PetEx and clear all trades executed on his own account or on behalf of his clients through PetEx.
- 2) PBPs are geographically assigned non-exclusive specific territories as per the business requirements of PetEx and appointed to offer PetEx services to the territories assigned to them by PetEx.
- 3) PBP's can trade on their own account and additionally enroll clients under their membership with PetEx.
- 4) The buyer / sellers / clients must have licenses from statutory authorities like Peso etc.
- 5) PBP's can offer customized services like end to end logistics, storage facilities, offer smaller lots in delivery units as per the customers' requirements, credit facilities to the small and medium scale end users' industries within their territory after enrolling them as PetEx clients.

Who can be a PBP?

- Importers who import petroleum products and sell to end user industries,
- Traders can be a PBP where the nature of business is to sell products to a large base of customers for end use. (PBP can provide number of additional services to their clients and generate brokerage turnover and fee received there upon.)
- Oil company appointed distributors / Traders who provide services to their clients by purchasing from Oil Refineries and Importers and selling it to their customers, logistics facilities, credit facilities etc. can be a PBP.
- Financial Institutions and Broking Companies who do not trade on their own account but provides the services of PetEx to their clients can be a PBP.

Role of a PetEx Business Partner

- PBP's will facilitate the trading of petroleum products in a specific / wide geographical territory.
- PBP will facilitate registering PAM (mostly end users) on behalf of PetEx, within their area of operation
- PBP's can provide financial assistance / credit facilities to localized and smaller consumers, wherever required.

- PBP's will preferably have storage facilities to procure inventory in bulk from PetEx and meet the immediate requirement of smaller customers with consumption as low as 200 liters.
- PBP's can provide end to end logistics support to small, medium sized customers in the territory of their operations.
- End user industries who do not have bulk requirements or requirements of less than a tank lorry load of 10 MT can ideally approach the PBP and enroll themselves as a client. PBP's can accumulate order from their clients in terms of quantity, purchase it on his own account and supply to the end user.

Benefits for being a PBP @ PetEx

- Opportunity to expand the trading activity across multiple products through the PetEx platform.
- Generate more turnover and brokerage returns by enrolling more clients across multiple products.
- Opportunity to connect to the smallest consumer/end user.
- Expand business to other areas in the supply chain of petroleum products viz. logistics, financing etc.
- Opportunity to generate additional clearing fees by clearing trades for trading members.
- Potential to expand business activity beyond petroleum products viz. petrochemicals, chemicals etc.

The Infrastructure for PBP

Most of the PBP would be operating from the existing offices. PBP's office should preferably be within their prime area of operation

PBP should have good access to the internet and should possess computers, etc

PBP to appoint exclusive staff for PetEx promotion. The personnel should be a good communicator and have adequate skills for paperwork, needed to register PAM/ clients. He/she should also be very well versed with the operations of PetEx platform and should also be a good trainer, which is needed to train the PAMs/ Clients

Process PBP to follow for buying at PetEx

1. Individuals / Companies / Partnerships / HUF's desirous of trading through PetEx platform must register themselves as a Member with PetEx by making application in the prescribed format laid down in PetEx Circular No. PetEx/MEM/2019/002 and 001 dated 12.06.2019. The circulars can be accessed at PetEx website – www.petexindia.com.
2. The membership application form can be downloaded from the website www.petexindia.com from the link “Membership” and duly filled in along with relevant documents and valid licenses mentioned in the eligibility criteria. The application form needs to be forwarded to The Membership department at PetEx for processing of membership and creation of Member ID.
3. Once the member ID is created, PetEx will email the Member ID and password to the member and create a Virtual Bank Account Code with the empaneled banks (currently HDFC Bank is empaneled with Petex to provide this service to all members) and forward it to the registered PBP.
4. After receipt of Virtual Bank Account Code from PetEx, member will add the Virtual Bank account code as a beneficiary under the current bank account he has been maintaining with his bankers to transfer money towards EMD, Commodity Funds Pay In etc.
5. The Earnest Money Deposit payable is applicable product wise and will be mentioned in each product circulars which PetEx will issue to all its members through email and parallelly can also be accessed at PetEx website – www.petexindia.com.
6. PBP will have to transfer money to the PBP's Virtual Bank Account assigned to them by PetEx after calculating the money payable towards EMD of a product before taking purchase position. Once the EMD payment process is complete they can place price and quantity quotes on the trading system.
7. Once the buy price quoted by the PBP is matched with the sell price quoted by the seller in the trading system, a trade is said to have been executed. Such executed trades can neither be modified nor cancelled.
8. The seller details will be available to the PBP and the details of the PBP available to the seller in the post trade interface after the trade is matched.
9. PBP will now have to arrange for the funds required to fulfill Funds Pay In obligation for his purchase position through the Post Trade Interface of PetEx. To access the post trade interface, PBP needs to access Petex website, Go to MY LOGIN and from the drop down click the link Post Trade Login.

- 10.** Full commodity value plus GST plus PetEx Transaction Fee, Service Charges and other charges if any payable shall be clearly shown to the PBP in his post trade interface maintained with PetEx. PBP will have to ensure full value pay in as reflected in the system towards their purchase obligation and transfer the amount in their Virtual Bank Account Code assigned to them for completing Funds Pay In within the settlement period prescribed by PetEx.
- 11.** Once funds “pay in” is completed by the PBP, they will initiate generation of Delivery Order through the online system after filling in necessary fields such as Quantity Intended to Lift, Vehicle Number, Name of Transporter, Valid ID proof etc. Once DO generation is initiated by the PBP, seller will be able to view the DO in his post trade interface and give confirmation of lifting delivery with the quantity details online.
- 12.** After PBP receives the seller’s confirmation in the post trade interface, PBP will take print out of the DO and sent his authorized transporter with the same to take delivery.
- 13.** Once the sellers complete the loading of product into the buyer’s vehicle, seller generates the following documents at delivery point – Weighment Slip, Tax Invoice, Waybill and Quality Test Report and uploads it in the post trade interface.
- 14.** On successful completion of delivery pay out of funds is affected to the seller deducting the PetEx transaction fees and delivery charges applicable for trading from the payout.

How can a PBP sell through PetEx?

1. PBP desirous of selling petroleum product through PetEx will make an offer letter for sale to PetEx as prescribed in PetEx Circular No. PetEx/TRD/2019/004 dated 01.07.2019.
2. The offer letter for sale to include the following –
 - ✓ Quantity intending to sale.
 - ✓ Quality Specifications of the product along with test report.
 - ✓ Address of the storage tank where product is being stored.
 - ✓ Contact Name of Person along with Contact Number and Email ID for PetEx to coordinate and confirm quality and quantity.
 - ✓ Validity of the offer in number of days for the quantity intending to sell through PetEx.
3. After the offer letter for sale is received, PetEx verifies the quality and quantity, accredits the storage tank of the seller as its designated warehouse and thereafter lists the product in the trading system for visibility to all its members for trading.
4. Once the contract specifications are listed in the PetEx Trader Workstation, seller will quote sale price in the trading system online which will be visible to all other members of PetEx.
5. The seller can change, modify their sale price anytime during the trading session.
6. Any member of PetEx intending to buy the quality specification listed on the trader workstation will put their buy price online in the system.
7. Once the buy price and sale price are matched, a trade is executed and the same cannot be modified or changed by either buyer or seller.
8. The seller would then get details of the buyer in his post trade interface created by PetEx.
9. After the buyer initiates the process of Delivery Order through the post trade interface, seller must confirm the same by filling the quantity details.
10. After the seller confirms the quantity in the Delivery Order, the buyer will generate the Delivery Order online, take print out of the DO and hand it over to his authorized transporter who will reach the delivery point with his vehicle for receiving the product. Seller must load the product on buyer's vehicle and immediately generate the following documents – Weighment Slip, GST Invoice, Quality Test Report and E waybill and upload it in the PetEx post trade interface.
11. On uploading the same, the seller will complete his delivery obligation and receive pay out of funds for the product sold through PetEx in his bank account registered with PetEx.

Enrollment of Clients by PBP

PBP can register and enroll clients under their membership to provide facilities of PetEx platform to their clients. PBP's must follow the procedures given below for dealing with clients –

- ✓ **Know Your Client Norms (KYC)** - When establishing a relationship with a client for the first time or accepting a new Client, Members of PetEx must take reasonable steps to assess the background, genuineness, beneficial identity, financial soundness of such person, and his trading objectives by registering the client with them in the format prescribed.

- ✓ **Agreement with client before accepting order** - Every Member of the PetEx shall enter into an agreement with each of his Client, before accepting or placing orders on Client's behalf. Such agreement shall include provisions specified by the PetEx in this regard.

- ✓ **Contract Note** - Every Member shall issue a contract note to their clients for trades executed in the prescribed format enclosed

Please refer to **PetEx Circular No. PetEx/MEM/2019/010** dated 26.07.2019 for the detailed process for enrollment of clients and KYC norms.

Registration Process for Enrolling Clients under PBP

- Interested Client's to obtain and fill up Client Registration Form in triplicate from the PBP – One Copy for the member's office use, One Copy for PetEx and the third copy for self.
- Once, the client registration form is received by the PBP, they forward one copy of the Form to Petex for registration of client.
- PetEx will check for the validity of licenses under the client's name and for the product applied for.
- Thereafter, PetEx will generate a TAC ID i.e. Transaction Account ID for the client and map it under the respective PBP.
- The TAC ID created by PetEx will be informed to the PBP via email, who in turn will intimate the same to their client.

Relationship between a PBP, PAM and PetEx

- Both PBP and PAM are members of the exchange with different rights to trade as defined by PetEx. If a PAM, after availing trading facility in one or two market segments, wishes to trade a product available in a third market segment, they can do so by enrolling themselves as a client under a PBP and trade through them.
- For becoming a client under a PBP, PAM must complete the client registration form as prescribed by PetEx and execute a Member-Client Agreement with the PBP as laid down in PetEx circular No. PetEx/MEM/2019/010 dated 17.07.2019.
- Once the PBP forwards the client registration form containing details of the PAM as a client to PetEx, the PAM is allotted a client trading account ID by PetEx and intimated to them through the PBP.
- After their client TAC ID is generated, they can place purchase / sale orders through the PBP depending on their requirements.
- PBP, for providing the services of trading and / or clearing can charge PAM, brokerage fee which is mutually agreed between the PAM and PBP.
- The PBP is responsible for all trades executed by their clients and PetEx does not recognize obligations of the clients directly. Hence in this scenario, where the PAM enrolls themselves as a client under a PBP, the business dealings are strictly between them and the PBP. PetEx will ensure completion of all obligations from the PBP directly for trades done by the PBP and their clients.
- So, when a PAM enrolls themselves as a client under a PBP, they lose the rights of his membership as a PAM with respect to the trades done by him as a client under a PBP.
- Region specific PBP's who trade on a fewer range of products and wishes to expand to a new geographic territory because of the presence of their clients in that territory for servicing are eligible to do so under their membership.

INCENTIVES OFFERED BY PetEx to PBP

- PBP's can give marketing support to PetEx in identifying and developing prospective members who wish to enroll themselves as a PetEx Associate Member. For all the PAM's introduced and enrolled, the PBP is entitled to a 20% Cash back fee on the membership admission fee of each.
- Further, the PBP's are entitled to a pass back of 40% of the service charges collected from the PAM's on account of their trading turnover at PetEx.
- All the incentives will depend upon the achievement of targets towards appointment of PAM/Clients under PBP and the monthly volume.

ILLUSTRATION SHOWING COST FOR BECOMING A PBP vis-à-vis INCOME OVER A ONE YEAR PERIOD OF OPERATIONS.

(w.e.f. 16.07-2019 to 16.10.2019)

SL	Particulars	Rate (%)	PBP Income (Rs.)
	Cost of PetEx Business Partner Membership		
1	One Time Admission Fee		5,00,000
2	GST on Admission Fee	18%	90,000
3	Cost at the time of admission		5,90,000
	Total Cost in ONE YEAR		7,08,000
	Opportunities and Incentives For PBP		
1	In One Year - PBP register's 50 PAM'S @ Rs 10,000/- Per PAM. Cash Back @ 20% Per PAM		1,00,000
2	Assuming a PAM trades for a minimum truck load of 21 KL Per Month. Total turnover generated by 50 PAM's for a period of one year will be 12600 KL. Incentive @ 40% of service charges for trading done by all the PAMs registered by the PBP (Presently service charge is Rs. 100 per KL/MT) Rs 40 Per KL is passed back to the PBP for the turnover of all the PAM's done at Petex i.e. Rs 40 X 12600 KL		5,04,000
3	The PBP will buy the products on their own account thru the PetEx platform, depending upon the demand of any specific product in their area of operation and then resell the same to their clients. Hence if a PBP can sell 100,000 litres or Kgs of a products per month and at a minimum margin of Rs.1/lit or kg		12,00,000
	Total Income in ONE YEAR		18,04,000

NOTE: The incentive structure is valid up to the date specified and subject to change from time to time as amended by PetEx.