

SHIP CHARTERING PROCEDURE OF HPCL

The chartering activity is broadly classified as under :-

(A) Chartering of vessels for crude transportation	(B) Chartering of vessels for product transportation
(a) Voyage Charter	(a) Voyage Charter
(b) Time Charter	(b) Time Charter
(c) COA	(c) COA
	(d) Sub-Charter

ANNUAL SHIPPING STRATEGY

The annual shipping strategy, i.e., the composition of the various methods of chartering to meet the shipping requirements of HPCL shall be approved by the CFD before the commencement of each Financial year.

REGISTRATION / DE-REGISTRATION OF SHIP-BROKERS

To begin with, only Indian ship-brokers will be registered on the Panel of Ship-brokers to whom the enquiries for chartering will be sent. If the services of any empanelled ship-broker are found to be unsatisfactory, its name can be de-registered, after giving sufficient advance notice, after observing the performance of the ship-broker for a period of minimum 6 months. Like-wise, new ship-brokers can be added to the list.

Detailed chartering procedure to be followed shall be as under :-

(A) VOYAGE CHARTER FOR CRUDE & PRODUCTS

1. COMMUNICATION OF THE REQUIREMENT OF CHARTERING

- (a) Basis inputs received from Crude Procurement Wing (IT&S), the requirement of chartering vessels shall be communicated by the Shipping (Crude Operations) group to the chartering team basis the finalised laycan and the award summary. This information shall be normally communicated at least 30-25 days in advance of the commencement of the first layday at the load port.
- (b) Based on the above, the Chartering Cell, Shipping shall prepare the requirement of chartering which shall be approved by Head -Shipping.



2. ENQUIRY (MARKET ENTRY)

- a) Enquiry shall be sent simultaneously to all the empanelled ship-brokers and Indian Ship-owners through e-mail-. The enquiry will also be uploaded on the Website of Indian National Ship Owners' Association (INSA). No enquiries shall be sent directly to any foreign ship-owners. Also, the enquiry to be uploaded in HPCL website.
- b) Ship-owners / ship-brokers will be advised to keep offers valid till a specified time/date indicated in the enquiry.

3. RECEIPT OF OFFERS

(a) Receipt of offers shall be through either of the following modes :


I. Dedicated e-mail box with password protection. The dedicated e-mail box having a *combination password shall be operated jointly by the Chartering and Finance Officers* of the Chartering Cell. In addition, for handling multiple enquiries at a time and also as a back-up mechanism, one more Chartering and Finance officer each, shall be aware of the (partial) combination password to ensure opening of the e-mail box. To handle multiple enquiries at a time, separate mail boxes shall be provided for receipt of offers against each enquiry.

II. A dedicated fax machine (with locking facility) would also be available as an alternative mode.

- (b) At the expiry of the designated time for receipt of offers specified in the enquiry or at the expiry of the extended time as provided in sub-clause (e) of this clause, as the case may be, the e-mail box / fax machine shall be opened and the offers will be printed / collated.
- (c) Unsolicited / mid-way offers will not be considered.
- (d) The opening and evaluation of offers shall be carried out on the basis of e-mail / fax offers.
- (e) The time for submission of offers may be suitably extended, if required.

4. EVALUATION OF OFFERS

The vessels offered by the ship-owners / ship-brokers should meet all load port / disport requirements, failing which the offer will be rejected.



After establishing the workability of the vessels, commercial evaluation shall be carried out on the basis of 'Freight' quoted and offers will be ranked. Demurrage rate and other terms & conditions shall not be considered for ranking. These will be dealt with only at the time of negotiation. However, where there is a tie between more than one offers on the basis of freight, demurrage shall be considered to ascertain the L1.

The rider clauses given in HPCL adapted Asbatankvoy Charter Party are the conditions preferred by HPCL and normally ship owners are required to accept them. However non-acceptance of these conditions by the ship owners will not necessarily result in rejection of their offers and based on market conditions and urgency of lifting cargoes, the same may be negotiated upon.

After the offers are evaluated by Chartering Officers, a negotiation range approval shall be obtained from the Head - Shipping and DGM / Chief / Senior Manager – Finance, IT&S for price negotiations with Ship-owners / Ship-brokers.

5. NEGOTIATIONS / COUNTERS

The Chartering and Finance officers shall carry out this activity jointly. Exchange of counters by e-mails with the ship-brokers / Indian ship-owners shall be held by the chartering officer (where the finance officer will also be present).

To obtain lowest freight rate, countering will be held with the ship-owners / ship-brokers of all technically accepted vessels and not only with the L1.

Counters shall be given to ship-owners/ship-brokers by e-mail/fax. For all the counters, depending upon the circumstances of the enquiry, time limit shall be specified for receipt of response to the counters, e.g., 10 Min. / 15 Min. / 30 Min. / 1 Hr. / 1 Day / etc. Responses received beyond the specified time may not be taken into account.

Details of the initial offers, counter range (band), counters offered and offers received from the ship-owners/ship-brokers in response to the counters will be noted down on the Evaluation / Negotiation Sheet(s).

SCENARIO –I

No Indian Ship-Owner has quoted

- i) Countering will be held with all the technically acceptable bidders indicating their respective ranking. Whereas a 'firm' counter will be given to L1 Ship-owner / Ship-broker, the counter to other bidders will be 'open' (i.e., Sub-Open1, Sub-

Open2, etc.). During countering, the original rankings of the bidders can change depending upon their response to the counter(s).

- ii) In case, agreement is not reached, HPC would explore *other alternatives*, i.e., cancel the enquiry or re-float the enquiry, etc.

SCENARIO –II Indian Ship-Owner(s) has/have also quoted

In case, offer(s) is/are received from Indian ship-owner(s) (for vessels belonging to Indian Ship Owners flying the Indian Flag), the Indian ship-owner(s) will have the 'first right of refusal'.

A) Indian ship-owner is L1

In case, counter is to be given, the same shall be offered 'firm' to the technically acceptable L1 Indian ship-owner (and 'open' to other technically acceptable Indian ship-owners, irrespective of their rankings, in case there are other Indian ship owners in addition to the L1 Indian ship owner) along with 'open' to all technically acceptable foreign ship owners. The respective rankings of all the Ship-owners shall be disclosed. In case, negotiations are successful with the foreign ship-owner, Indian ship owner(s) will be asked to match the rate, failing which, the offer of foreign ship-owner shall be accepted.

B) Indian ship-owner is not L1

- 1) In case, the rate quoted by the foreign ship-owner is acceptable, *technically acceptable Indian ship owners* will be asked to match the rate. If more than one Indian ship-owners match the rate, the ship belonging to Indian ship-owner with the original lowest ranking among them, will be fixed on subjects.
- 2) (a) In case, counter is to be given, the same shall be offered 'firm' to the technically acceptable L1 Indian ship-owner (and 'open' to other technically acceptable Indian ship-owners, irrespective of their rankings) along with 'open' to all technically acceptable foreign ship owners. The respective rankings of all the bidders shall be disclosed.

(b) In the event, the Indian ship owner(s) is/are not L1 in the negotiations, they will be asked to match the lowest rate of the foreign ship-owner. In case, none of the Indian ship-owners match the rate of the lowest foreign ship-owner, vessel will be 'fixed on subjects' with the foreign ship-owner.

6. VESSEL ON SUBJECTS

After concluding the countering (including Charter Party terms and conditions), the ship-owner / ship-brokers will furnish Subject fixture recap and the ship will be fixed on 'subjects' with a time schedule to carry out the following activities :

- a) Charterer's (HPCL) Management approval
- b) Terminal / Supplier acceptance
- c) Obtain Fixture Note from the ship-owners / ship-brokers for record

Approval of Chartering Committee :

Approval of the Chartering Committee will be obtained for 'Main Terms Recap' of countering carried out with the successful Ship-owner / Ship-broker..

The Chartering Committee shall consist of Head-Shipping, ED-IT&S and ED/CGM – Corporate / Refinery Finance.

7. CHARTER PARTY

On receipt of Chartering Committee's approval and terminal/supplier approval, the 'subjects' will be lifted, i.e., the vessel will be clean fixed. Clean Fixture recap will be received from the ship-owner / ship-broker. Following charter parties shall be used.

(A) Voyage Charter (Foreign & Coastal Voyages)

ASBATANKVOY with HPC specific rider clauses.

The rider clauses in the Charter Parties shall be modified to suit the requirements of each voyage.

(B) TIME CHARTER / COA

The requirement of Time Chartered vessels or COA will be worked out by Chartering Cell, Shipping (IT&S Deptt). for Crude Oil and by the respective SBUs/Supplies for Products.

The activities involved in Time Charter / COA will be more or less similar to those applicable to Voyage Chartering, with suitable modifications due to difference in the time span, voyage patterns, cargo quantities to be lifted, etc.

The evaluation of offers for vessels on Time Charter will be done taking into account the vessel parameters affecting their performance.

Following charter party shall be used:-



- a. Time Charter (Foreign)
SHELLTIME 4 / 3 (for LPG) with HPC specific rider clauses.
- b. Time Charter (Coastal)
SHELLTIME 4 with HPC specific rider clauses. .

(C) SUB-CHARTERING

When the chartered tonnage available with HPC becomes surplus for any period of time on account of circumstances prevailing at that time, the excess tonnage may be out-chartered, basis agreements with the OMCs.

(D) FREIGHT / CHARTER HIRE ESTIMATION BASIS MARKET INTELLIGENCE

Continuous analysis of freight and charter hire rates for various tankers will be carried out by the Shipping Wing of IT&S for estimation purpose.

(E) UPLOADING OF BRIEF CHARTERING PROCEDURE ON HPCL WEBSITE

The chartering procedure in brief shall be uploaded on HPCL Website and the same shall be updated in respect of the changes made in the procedure from time to time.