

Annexure I

Procedure for Deposit & Delivery of Cotton Bales at ICCL Accredited Warehouses

In terms of the provisions of the Rules, Bye-Laws and Regulations of the Indian Clearing Corporation Ltd. ("ICCL"), Members/Participants are notified as under:

Members/ Participants, who desire to deposit/withdraw Cotton Bales at/from the ICCL Accredited Warehouses ("IAW"), for trading/ delivery on BSE platform are advised to adhere to the below mentioned procedure/conditions.

1. Procedure for Deposit at the warehouse

Minimum 1 working days prior intimation by way of entry into CDSL Commodity Repository Ltd. (CCRL) system is mandatory for warehousing arrangements such as storage and sampling arrangements. Loading and Unloading of goods will be undertaken on first come first serve basis. Deposit shall be accepted in the working hours at the ICCL accredited warehouse. Similar time schedule shall be followed at the time of lifting the goods from IAW.

The depositor shall submit the details of press running numbers, pressing date, name and place of ginning and pressing, lot nos. and ginner name at the time of deposit before bringing the goods to the warehouse. The weight of the bales received and/ or delivered would be determined at the calibrated weighbridge/ weigh scale of the designated warehouse.

Depositor shall submit duly filled in Know Your Depositor ("KYD") form & Depositor Transaction Declaration ("DTD") form in the format prescribed by ICCL before depositing goods in the IAW and shall also ensure compliance with all the relevant laws/ regulations of the statutory authorities and best practices for depositing Cotton Bales in the IAW.

2. Manual grading of Cotton bales

At the outset, on deposit of goods, manual grading of bales, in the first instance, shall be undertaken by the warehouse service provider (WSP) based on physical appearance, look and feel, mainly through the sense of sight, smell and touch. Manual grading shall include determination of factors such as inferior quality cotton, packaging, lot marking and labelling, colour grade, staple length, presence of foreign / extraneous matter based upon visual comparisons with physical and descriptive standards etc. Inconsistencies observed during manual grading shall warrant the WSP to call upon any such information from the depositor for acceptance of bales. WSP is empowered to reject /insist on replacement of such deliverable lot, if the goods are found faulty.

3. Packaging and Labelling

Cotton bales delivered should be well compressed and packed (non-exposed) preferably with 100 to 150 grams/yard white twill cotton cloth (woven cloth) and adequate spiral bands, as per standard industry practice. Hessian packaging, in good condition, would

also be accepted. All sides of the packaging material may be stitched manually with minimum of 8 stitches on each side. The bales must be securely strapped with minimum of 09 wraps of iron bailing hoops (1.80Kg per bale) or minimum of 10 wraps of plastic straps (350 gms per bale). Use of best quality plastic straps, which can endure loading and unloading, is recommended. Bales should be fully covered and all bale covering material should be clean and in sound condition and of sufficient strength to adequately protect the cotton. The packaging material must not have salt or other corrosive material or any other material that will contaminate or adversely affect cotton.

The bales delivered should not bear any stains of oil, ink etc. and should not penetrate through the protective wrapping or should not be found contaminated with any other foreign matter. It should have all the proper markings in the form of unique press running number (PRN) along with details of variety, ginning and pressing unit and location, crop year and any other details as may be required from time to time. For identification purposes, each bale of cotton shall have a mark/ sticker that identifies the lot. Each bale shall have a label / sticker giving the bale number in figures along with Ginner details. All bales deposited in a lot should be from a single ginning unit and should be continuous running bales from the same ginner. Bales meant for storage and delivery, if observed to be inconsistent with packaging and labeling conditions or with any misleading information, entire lot shall be liable for rejection. The warehouse will put a mark/sticker on to the Cotton bale which may include date of deposit and lot no. on each and every bale deposited.

4. Delivery Size

Delivery Unit	100 Bales (170 Qtls or 48 candy approx.)
Quantity Variation* (Tolerance Limit)	+/- 7% of total weight of each deliverable lot i.e. 170 Qtls.

* Tolerance limit i.e. quantity variation shall be considered on quantity delivered in the respective contract month.

For Cotton bales kept in ICCL accredited warehouse by the depositor, the deductions for arriving at the net weight for issue of warehouse receipts shall be as follows:

- Towards packing material, the deduction in case of iron bailing hoops shall be 2.00 kg per bale or in case of plastic straps shall be 500 gms per bale.
- Towards handling & sampling loss, the deduction shall be approx. 1.20 kg per sampled bale (i.e. approx. 6.00 kg per deliverable unit/lot).

5. Validity Period

The delivery of Cotton bales on ICCL platform may take place according to the validity period matrix as illustrated in the table hereunder

Contract Months of Deposit / Date of entry by warehouse in system (February - September)	Validity period at the time of fresh deposit (no. of contract months) for stock deposited in warehouse	Final Expiry Date (From the date of deposit)
February 2019	6	31 st August 2019
March 2019	6	30 th September 2019
April 2019	6	31 st October 2019
May 2019	5	31 st October 2019
June 2019	4	31 st October 2019
July 2019	3	31 st October 2019
August 2019	2	31 st October 2019
September 2019	1	31 st October 2019

For any fresh deposits made during the month, the Validity period and Final Expiry Date (FED) would be calculated counting the Month of deposit as the first contract month.

Minimum validity period of the quality certificate post expiry date of the contract in which the commodity has been tendered delivery will be one month. No revalidation activity shall be undertaken for the expired certificates of Cotton bales.

6. A. Standard Deduction

Standard deduction shall be computed on per contract month basis. The standard deduction of the respective contract month shall be computed and deducted from the weight mentioned on the warehouse receipts at the time of delivery on ICCL and/ or lifting Cotton bales from the IAW, which shall be as follows:

Delivery / Contract Months	Deposit / Contract Months							
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
February	0.35	-	-	-	-	-	-	
March	0.50	0.50	-	-	-	-	-	
April	0.65	0.65	0.60	-	-	-	-	
May	0.80	0.80	0.75	0.60	-	-	-	
June	1.05	0.90	0.90	0.75	0.60	-	-	
July	1.05	1.05	0.90	0.90	0.75	0.60	-	
August	1.05	1.05	0.90	0.90	0.90	0.75	0.75	-
September	1.05	1.05	0.90	0.90	0.90	0.75	0.75	0.75

The Weight of Cotton Bales delivered shall be determined/ calculated by the warehouse designated weigh bridge/ weigh scale and the same shall be considered for issuance of warehouse receipts, net of packing material, handling and sample weight. It may be noted that discount on account of moisture variation over base moisture (i.e. 9.00%) shall be considered proportionately for weight deduction and issue of warehouse receipt. For

example: Moisture at the time of inward / deposit in warehouse is 9.00%. While issuing warehouse receipt, 0.50% deduction for moisture variation shall be applicable for recording weight on the warehouse receipt.

Thereafter, Standard deduction shall be applicable on the weight recorded on the warehouse receipt.

At the time of lifting the goods from the IAW, in case any quantity variation is observed between entitled weight and actual weight noted at the weigh bridge / weigh scale, the difference will be settled in cash/ cheque/ demand draft/ pay order with the WSP at the Final Settlement Price (FSP) of the previous contract declared by the ICCL/Exchange.

B. Quality grade deduction (Age Penalty)

As Cotton is a natural fiber, quality grade of the cotton is bound to be affected over the long storage and therefore, some discount on quality shall be passed on to the buyer. Accordingly, quality grade deduction will be applicable as under:

Delivery / Contract Months	Deposit / Contract Months							
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
February	0.00	-	-	-	-	-	-	-
March	0.00	0.00	-	-	-	-	-	-
April	0.00	0.00	0.00	-	-	-	-	-
May	0.10	0.00	0.00	0.00	-	-	-	-
June	0.20	0.10	0.00	0.00	0.00	-	-	-
July	0.30	0.20	0.10	0.00	0.00	0.00	-	-
August	0.40	0.30	0.20	0.10	0.00	0.00	0.00	-
September	0.50	0.40	0.30	0.20	0.10	0.00	0.00	0.00

C. Outbound quality tolerance

The outbound quality tolerance limit is applicable only for outbound deliveries. Variation in quality parameters within the prescribed tolerance limit will be treated as good delivery during the lifting of goods from ICCL accredited warehouses. Following quality tolerance shall be treated as good delivery:

Outbound quality	Tolerance / variation permitted
Length	- 0.5
MIC	+/- 0.1
Trash	+0.5

7. Sampling and Analysis process at the time of deposit

Labor arrangement shall be made by the warehouse for bale cutting and loading/unloading for which charges shall be payable directly to the warehouse (as per prevailing

market rates), i.e. depositor will have to pay for unloading and buyer/ lifter will have to pay for loading.

The WSP shall get associated with an assayer (from the panel of Assayers empaneled by the ICCL) based on which the quality testing and certification will be undertaken for which Assayer shall issue quality report. The Assayer appointed by the WSP for all purposes shall be the agent of WSP and WSP shall be solely liable for results of the Assayer Report.

On successful manual grading and satisfactory assessment of cotton bales, online moisture testing by calibrated portable Moisture Meter (probe method) will be undertaken on deliverable lot basis to ascertain moisture content in the bale at the time of deposit. For an individual bale, Moisture reading shall be recorded from minimum four sides i.e. minimum 4 reading shall be recorded for each bale. The individual side reading should not exceed 10.50% and the average reading of each bale should not exceed 10.00%. Further, overall lot average shall not exceed 10.00%. A lot may be disqualified/ rejected if wide variation / non-uniformity is noticed in moisture readings, even if it is qualified on Exchange quality specifications. If the physical appearance and spot moisture recorded is in accordance to the contract specifications, a minimum of 10% of the bales from each deliverable lot shall be randomly selected for sampling, quality analysis/ verification at the sole discretion of the WSP. The said samples as drawn by the WSP will be tested by the assayer and WSP shall issue its quality certificate on its letter head enclosing the Assayer's Report which shall be binding on the depositor and WSP. Further, the Assayer Report / certificate issued by the Assayer shall be deemed to have been issued by the WSP.

Five cotton bales out of the selected bales shall be cut open from any side for drawing samples, out of which one can be completely cut-open for quality verification purpose. If needed, additional bales beyond five bales may also be selected for sampling, quality analysis/ verification as deemed fit. All cut open bales shall be considered for issuance of warehouse receipt and shall form part and parcel of the deliverable lot. The size of the sample drawn out of the selected bales shall be approx. 1.20 kg per sampled bale. Four samples shall be made from each sampled bale. One part as depositor sample; second sample to Warehouse Service Provider for comparison purpose, third will be with assayer/ testing Lab for analysis and fourth shall be for record/lab reference purpose. Sealed samples of each of the said selected bales shall be tested separately. The said samples as drawn by the WSP will be tested by the assayer. Based on the test result of the said selected bales, average test result shall be arrived for Exchange quality parameters other than colour grade. For determining colour grade, lowest color grade as appeared in test results shall be considered for issuance of quality certificate. The quality certificate issued by the WSP shall be as per the grade matrix published/ announced by ICCL on its website from time to time and the same shall be final and binding on the depositor and WSP. A lot shall be considered good delivery only if all said individual bale test results of a lot shall qualify individually on all exchange specified quality parameters. A lot may be disqualified/ rejected if wide variation/ non-uniformity in test results is noticed in one or more quality parameters, even if it is qualified on all Exchange quality specifications. In case goods deposited for quality assaying do not conform to the quality specifications as per the contract specifications, the depositor shall not have a choice to get the bales retested and the test report based on the samples drawn shall be acceptable and binding on all parties. In such case, the depositor has to take out the goods immediately.

All charges pertaining to the sampling process shall be borne by the depositor. On confirmation of the quality, the selected bales, if required, will again go through the re-baling process, the cost (process or incidental) of which shall be solely borne by the depositor.

Explanation: It is clarified that quality certification of the lot is based on the sample/s selected and the depositor shall be liable for ensuring that the entire lot of cotton bales is of homogenous quality as that of the sampled bales. In this regard, the WSP may at its discretion, to protect its own interest, obtain an undertaking / indemnity on stamp paper to this effect from the depositor.

8. Physical inspection of stock in possession

Members/ Participants holding goods in the warehouse are entitled to undertake physical inspection of said goods. Request for such physical inspection would have to be submitted to the ICCL and the ICCL after verification of such requests shall forward the same to the concerned WSP for allowing such inspection. During physical inspection, the Member/ Participants or his authorized representative/ies (Maximum 2 personnel) is/are not permitted to draw samples, photographs/ videos or carry any such hazardous material which may cause damage to the goods inside the warehouse.

9. Resampling Method, Quality Analysis, Retesting & Certification

In case, the Member/ Participants who purchased Cotton bales on the ICCL platform and seek to lift the Cotton bales from the warehouse do not agree to the quality report as to the quality of the commodity, Member/ Participants shall request the ICCL within 5 working days from the date of commodity pay out, for resampling and retesting, without lifting the Cotton bales from the warehouse. Such Cotton bales should not have crossed the final expiry date (FED) as mentioned on the quality certificate. ICCL shall entertain complaint on quality or quantity of the commodity for which participant has traded on BSE platform for settlement through ICCL mechanism and only if the complaint is made within the prescribed timelines as specified above.

Member/ Participants have a choice to select Assayer from the empaneled Assayers as specified by the ICCL from time to time. Member/ Participants in such case shall make a request for retesting to the ICCL which in-turn shall be forwarded to the concerned WSP. The Member / Participants shall indicate the preferable date and time of visit to the warehouse for retesting of the stock along with the prescribed form. Once a request for retesting is carried out, then the same goods will necessarily have to be lifted and cannot be retendered in subsequent settlements.

The following documents shall be required to be submitted to the warehouse official(s) on the date of the warehouse visit:

- Original Retesting Request Form
- Proof of holding the commodity balance in the Repository Account
- Original Authorization letter in favor of representative along with copy of ID proof.

- Original Delivery Order (Goods withdrawal request) duly signed and stamped by the Member/ Participants

The assayer, selected by the Member/ Participants, in consultation with the ICCL and WSP, shall complete the process of retesting and submit a retesting report within 7 working days. Such reports shall be shared with all the concerned parties. The process of retesting includes drawing & collection of samples by the assayer from warehouse, retesting and submission of report. In order to ensure that tests are exactly comparable and that the results are consistent, the assayer shall determine the particular analytical test by applying the test methods as agreed or prescribed / communicated by ICCL from time to time.

For resampling and retesting, not more than five (5) new bales shall be randomly selected by the buyer/ its representatives in presence of WSP for each deliverable lot. After the samples are drawn by the assayer from 5 new bales, the samples, duly signed by the representatives and sealed shall be tagged for further identification of the lot. The said Assayer shall submit its quality report within 7 working days which shall be final and binding on all the parties concerned, including the WSP.

After considering outbound tolerance limit and age penalty of the re-tested bales, if the said quality report results are not found in accordance to the quality specifications as prescribed by the Exchange from time to time, the Member/ Participants, within 3 working days, shall submit their claim, in writing by giving details such as lot numbers, quantity and the parameters under which inconsistencies are observed. The basis of claim, if any shall be the value arrived on the basis of nearest closing spot price on the claim submission business day. The ICCL shall give its decision on the claim filed by the buyer / stock holder which shall be binding on the parties including WSP. In case the ICCL determines that a delivery does not constitute a good delivery, the WSP shall be liable to resolve / compensate the buyer / stock holder for the quality difference or substitute good delivery within 15 working days from the date of the decision of ICCL. The WSP shall be liable for giving good delivery (quality and quantity) / compensation in accordance with the contract specifications issued from time to time & prescribed by the Exchange.

The parties whoever request for the resampling, retesting and certification shall bear all professional fees of assayer, including incidental costs, weight shortage and expenses related to sampling, testing certification, etc. In case, the retesting results indicate negative variance from the original certificate (after considering outbound tolerance limits and age penalty), then the aforesaid retesting cost shall be borne by the WSP.

The Member / Participants, whoever wishes to seek private sampling and testing arrangements may request the WSP under their mutual private arrangement under their mutual terms and conditions. In such a case, the said goods shall be treated as outside the scope of ICCL platform. Meaning thereby, said goods can neither be tendered for delivery on ICCL platform nor any further complaints and claims shall be entertained by the ICCL/Exchange.

10. Storage after Validity Period

The depositor/ buyer can take out the Cotton bales from the warehouse on or before final expiry date (FED). After the FED, the goods in the IAW shall necessarily be removed. Storage of goods in ICCL accredited warehouse(s) after the specified final expiry date (FED) is not permitted and therefore the Members/Participants shall ensure that the goods whose final expiry date is over, are removed from the concerned warehouse immediately, but not later than 3 months from the date of the specified FED. Accordingly, Members/Participants involved in such deposits shall solely remain liable/ responsible for such deposits. The ICCL shall not be responsible in any manner whatsoever for those goods which have crossed the FED. Members/ Participants are advised to become familiar with relevant circular/ provisions/ guidelines of the ICCL which are in force from time to time and undertake suitable due diligence.

11. Warehouse, Assayer, Charges & Other Details

The Warehouse, Assayer, Charges & Other Details are mentioned in the **Annexure II**.

12. General Conditions

In addition to the above procedure, ICCL may prescribe from time to time, further additional procedures and requirements for determining disputed deliveries or defective deliveries, and measures, procedures and system of resolving the dispute or defect in deliveries or of consequences of such deliveries or the resolution which shall be final and binding on all the parties concerned.

It is reiterated that all market participants who desire to give or take delivery of Cotton Bales are advised to become familiar with relevant circular/provisions/guidelines of the ICCL/Exchange. which are in force from time to time and refer the same before initiating delivery on ICCL platform and take informed decision accordingly.

All Members & their respective constituents/ depositors are requested to take note of the same.