



# GUJCOT TRADE ASSOCIATION

## GUJCOT CONDITION

### GUJARAT COTTON ASSOCIATION

#### DEFINITIONS

**Cotton year:**

Cotton year means the period from the 1<sup>st</sup> of October to 30<sup>th</sup> September.

**Delivery period:**

Delivery period means the period during which the cotton can be tendered in fulfillment of the contracts under these by-laws.

**Standard bale:**

A fully pressed bale or a standard bale in case of Indian cotton means a standard metric bale weighing 160 kg. net, fully covered with cotton cloth on all the six sides, bound with plastic straps, each bale containing PR No. sticker of the ginner and weighing between 155 kg. to 170 kg. at the time of delivery.

**Forward Contract:**

Forward Contract means a forward contract as defined in the Forward Contracts (Regulation) Act, 1952, viz. a contract for the delivery of goods at a future date, and which is not a ready delivery contract and includes Hedge Contract/s.

**Closing out contract:**

If for any reason a pacca sauda cannot be performed then such sauda cannot be cancelled. The contract shall be closed either by tendering delivery or by invoicing back to the seller at market price prevalent on the date of closure of contract. The date on which both the parties become aware that the contract won't be performed shall be considered as the settlement date for the purpose of arriving at the market price. The settlement amount payable on invoice back shall be limited to the difference between the contract price and the market price on the settlement date.

**Burst bale:**

A burst bale in case of Indian cotton means a bale whose plastic strap gets opened in such a way that the entire bale gets opened at the time of loading or unloading of the cargo.

**False packing:**

False or Fraudulent Packing means packing of a bale of cotton in such a manner as to contain in different parts of the bale: -



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- (1) cotton of different varieties other than **contractual variety**, or cotton of materially different staples or cotton of different crops
- (2) any by-product such as waste, fly Comber noils, linters or other by-products of a cotton mill available after raw cotton is passed through the blow room
- (3) any concealed substance other than raw cotton;
- (4) inferior cotton inside while good cotton on the exterior and not readily detectable on the customary examination;

Provided that with regard to each and all of clauses above, the packing complained of should be such that it materially reduces the value of the bale and/or appears to have been done deliberately;

Provided also that when samples drawn from the top, bottom and middle of the bale show a difference of more than two grades or a difference in color exceeding two grades in value, then such bale shall be considered to be false-packed.

### **GUJCOT CONDITION**

*The trade under this constitution shall be known as **Gujcot Condition***

All transactions undertaken with a mention of "subject to Gujcot condition" shall be deemed to subject to the following uniform conditions

#### **1) Payment terms:**

15 days credit period for payment of cotton amount will be allowed from the date of approval. Interest @ 15% p.a. shall be calculated for early/late payment. RTGS charges shall be on buyer's account.

#### **2) Sampling:**

8 Kg samples to be allowed for the lot of 100 bales.

#### **3) Trade discount:**

Trade charges of Rs. 50/ bale will be paid by the seller.

#### **4) Weight:**

The invoice shall be raised at an average weight of two Weigh Bridge at spot. Computerized weigh bridge slips shall be provided by the ginner. The difference between the weights derived from the two weigh bridge should not exceed 75 kgs. Even if the difference is more than 75 kgs., then for calculating average weight, the maximum difference shall be considered as 75 kgs and it shall be added to the lower of both the weights and accordingly average weight shall be calculated. Any shortage beyond 50 kg per lot of 100 bales arising at port or at mills, will be reimbursed by the seller.



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- The intimation regarding weight shortage should be provided by the buyer within 7 days from the date of arrival at mill or before due date whichever is later.
- Seller will have the right to recheck the shortage at the mills/port within 5/2 days respectively from the date of receipt of intimation of shortage. In such case, buyer shall make necessary arrangements for rechecking at port/ mill premises. If the shortage arrived at port is more than 200 kg per 100 bales, then the buyer has to compulsorily ask the seller to get the shortage rechecked. In case of Wagha / Benapole border, the time limit for rechecking shall be 5 days.
- Buyer shall provide mill weigh bridge copy if shortage is beyond tolerance limit.
- In case of port, an average of two Weigh Bridges shall be considered as final. If two weigh bridges are not available at port, weight derived from custom approved weigh bridge shall be treated as final. If the seller wants to recheck the shortage, and if verification is not possible, weight derived from custom weigh bridge shall be treated as final.
- In case of factory stuffing where weighing of empty container is not possible, factory weight is to be considered as final.

### 5) Moisture:

The moisture level to be accepted by the buyer shall be up to 9%

- If the moisture is found more than 9%, deduction shall be made in the proportion of 1:1.
- Moisture level received at port or at mill will be considered as final.
- Eg: If moisture found at the time of sampling at the ginner's place is more than 9% and still the sample is accepted but at the time of delivery/lifting if it comes down to 9%, then moisture at the time of sampling shall not be considered. Similarly, if moisture found at the time of sampling is below 9% and still the sample is accepted but at the time of delivery/lifting if it is more than 9%, then moisture at the time of delivery shall be considered.
- In case of factory stuffing, moisture at the factory premises is to be considered as final.
- The intimation regarding moisture should be provided by the buyer within 7 days from the date of arrival at mill or port or before due date whichever is later.
- Sellers shall have the right to recheck the moisture at the mills/port within 3/2 days respectively from the date of receipt of intimation. In case of Wagha / Benapole border, the time limit for rechecking shall be 5 days.



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- If rechecking is not done by seller within the stipulated time, the moisture complaint received from the buyer shall be considered final.
- A properly calibrated analog moisture meter with 8 inch needle size and full battery shall be considered as standard for obtaining moisture results.
- The moisture results obtained from digital moisture meter shall not be considered as valid
- Moisture has to be checked randomly by drawing samples from minimum 10 bales at port/warehouse/gin or at the time of approval. While rechecking due to dispute, moisture has to be checked randomly from minimum 20 bales instead of 10 bales.

### 6) Trash:

The acceptable level of trash is at 3%

If the trash level is found more than 3%, deduction shall be made in the proportion of 1:1.

- Trash level received at port or at mill will be considered as final.
- The intimation regarding trash should be provided by the buyer within 7 days from the date of arrival at mill or port or before due date whichever is later.
- Seller shall have the right to recheck the trash at the mill or port provided it is done within 3 days from the receipt of intimation. In case of Wagha / Benapole border, the time limit for rechecking shall be 5 days.
- In the matter of any dispute related to trash, samples shall be drawn from the actual lot at the mills and shall be tested at ATIRA or CAI or Whitegold labs at the buyer's cost/option if it is not specifically mentioned in the contract.

### 7) Quality:

Buyer must intimate any disputes related to quality such as length, strength, mic, short staple etc. to the seller within 7 days from the date of arrival or before due date whichever is later.

Seller shall have the right to recheck the quality at the mills/port within 5/2 days resp. from the date of receipt of intimation of quality.

In the matter of any dispute related to quality, samples shall be drawn from the actual lots at the mills and shall be tested at ATIRA or CAI or Whitegold labs. The tests shall be done only for the disputed parameter.



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In case the buyer wants only mill results to be considered as final, the same has to be informed to the seller at the time of bargain and must be incorporated in the contract in writing.

In case of joint sampling, if the seller wishes to cut one more bale, the buyer shall allow the seller to cut one fresh bale of buyer's choice.

However, in case of false packing, seller shall be liable up to consumption of bales within India or abroad.

### 8) Packing:

The packing material should be of good quality of cotton cloth which should cover the entire bale. Any cloth other than cotton eg. Polyester should not be used for packing. The plastic straps should be strong enough to hold the bales during transit as well as during loading and unloading of cargo.

It is mandatory to keep the PR No. sticker inside the plastic straps on each and every bale.

The seller shall not provide any burst bale or any bale which looks damaged apparently.

### 9) Tare:

The tare weight should be considered as 50 kg per lot of 100 bales

Eg: If a ginner uses light weight packing material and if the tare comes to 40 kg., then also 50 kg. shall be deducted. If a ginner uses heavy weight packing material and if the tare comes to 65 kg., then also 50 kg. shall be deducted. This rule is made to ensure usage of good/strong quality material.

### 10) GST:

With the applicability of GST w.e.f 01/07/2017, said GST shall be paid by the seller within specified time.

**The seller shall inform the buyer on payment of GST and shall also furnish copy of form GSTR 3B to the buyer.**

**The buyer has to pay the said GST to the seller within 7 working days from the date of reflection of GST credit on portal in form GSTR 2A, after tallying the said data with Form GSTR 3B. No interest on GST shall be payable by the buyer to the seller if such payment of GST is made by the buyer to the seller within the aforesaid time. Buyer is liable to pay interest @ 15% p.a for the period after expiry of said time.**



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However, the universal guideline related to this as it appears in India's main stream will be changed from time to time.

It is advisable to get a credit note from the supplier for amount of any claim including GST instead of issuing debit note by the buyer. This practice shall bring uniformity in accounting and simplification of operations.

**It shall be the responsibility of the consignee or his appointed controller to verify the correctness of all the documents as per the latest GST norms, before leaving the factory gate. The consignor shall not be responsible and liable for any penalty raised by the authorities, if the said documents are found discrepant later on during transit.**

### 11) Bargain:

There are two types of bargain

Subject to passing and Pacca sauda

#### a. "Subject to Passing or STP":

STP bargain refers to a ready delivery bargain. In such type of bargain, the seller has to tender immediately. The buyer has to draw samples within 3 days from the date of tender. Accordingly, the buyer has to approve/reject the said bargain within a period of maximum 2 days (48 hours) from the date of drawing samples. If the bargain is approved then it shall be treated as pacca sauda and if any dispute arises, it shall be resolved treating it as pacca sauda. If it is rejected by the buyer, it shall be canceled at par.

In case the bargain is approved, the contractual parameters or parameters at the time of sampling whichever is lower, shall be considered for the settlement.

Eg: If the bargain is done at 3.8 mic and 29 mm but if the buyer passes 3.7 mic and 28.5 mm, then at the time of any dispute, the settlement shall be done at the lower level i.e 28.5 mm or 3.7 mic. Similarly, If the bargain is done at 3.7 mic and 28.5 mm but if the approved sample comes to 3.8 mic and 29 mm, then at the time of any dispute, the settlement shall be done at the lower level i.e 28.5 mm or 3.7 mic.

All other terms and conditions shall be applicable as per Gujcot Condition

#### b. Pacca Suda:

There are two types of pacca sauda

Pacca sauda-ready and pacca sauda-forward



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### b.1 “Pacca Sauda-Ready”

Ready, refers to a bargain which must be delivered or settled within a period of 15 days. In case of such sauda, the seller has to tender passing within the time as stipulated at the time of bargain.

If the tender is rejected the first time, the seller has to tender again for a maximum of 2 deliveries to the buyer up to the expiry of stipulated time.

If the seller tenders three times within the stipulated period and if the third tender also gets rejected, the date on which the third tender gets rejected shall be treated as the settlement date.

It is advisable for the seller to provide the deliveries as early as possible since if no deliveries get approved within the stipulated time as mentioned in the contract, the sauda will be settled on the expiry of the said time limit and the last day of the time limit shall be considered as the settlement date.

In both the cases as mentioned above, the contract shall be settled at the contractual rates or as per the rates decided by mutual agreement on the settlement date. In absence of any specific mention in the contract or in case of disagreement among the buyer and seller, the rates determined by the **GUJCOT Spot Rate** as on the settlement date, shall be final and the bargain shall be settled at such rate.

With the mutual consent of both the parties in writing, it is possible to extend the stipulated time limit or to allow extra tender if an extension letter to this effect has been provided. In such case the new expiry can be decided. But if there is any dispute, new expiry date shall be considered as final.

Eg: every pacca sauda shall be considered of 160 kg. per bale and weight will be finalized at the time of settlement accordingly. Bales weighing under or above the range of 155 kg to 170 kg at the time of delivery shall not be acceptable.

### b.2 “Pacca Sauda-forward”

In this type of a bargain, the delivery date starts after 15 days from the date of bargain and as per the limitations of Forward Market Commission, they can be extended for a longer period. In such type of sauda, the delivery period is mentioned and the material has to be passed as per the contractual parameters within the said period. All the terms and conditions of Pacca



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Sauda –Ready shall be applicable to Pacca Sauda forward bargains except that of delivery period.

### 12) **Contract note:**

Both the types of contract note have to be conveyed by e-mail, whatsapp or text message. If there are any disagreements, they should be informed within 48 working hours of the receipt of the communication regarding the contract. In absence of any information, it will be considered as accepted.

If there is any other condition outside the constitution, then it must be specifically mentioned and in all such cases, the contract shall override the present rules to that extent only

On receipt of contract, it shall be necessary to verify and return the same duly signed. If the contract is not returned duly signed, then it shall be considered valid after 48 hours from the time of sending contract in any of the modes mentioned hereinabove.

Contracts made as per Forward Market Commission Guidelines according to the Constitution of India shall be acceptable under this constitution.

### 13) **Insurance:**

The seller/ginner shall be responsible for the cargo till the gate pass is issued or till the lorry leaves the factory gate whichever is later. After that point, it shall be the buyer's responsibility to take insurance of the cargo.

In case of any accident, in order to enable the buyer get the claim amount from the insurance company, if the seller furnishes all the necessary papers to the buyer timely then he is entitled to receive entire payment towards sale along with GST from the buyer within due date. If the payment is delayed, the buyer is liable to pay interest on the same to the seller.

### 14) **Brokerage:**

It shall be necessary to get debit note for brokerage every month from the Broker. Further, even if the debit note is not paid entirely, it shall be mandatory to make the monthly payment of GST, if applicable, to the broker. The broker is entitled to receive brokerage even in case of settlement of contract.

### 15) **Credit note:**

Seller or buyer, whoever has to make the payment against claims, CD etc. has to issue credit note including GST immediately against party's debit note and it should also be uploaded on the GST portal.



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If at any point of time, any dispute arises and arbitration is required, then the CAI arbitration rules shall be applicable. **If the buyer or seller wish to appoint some other arbitrator, then it can be done by specifically mentioning in the contractual terms.**

In the circumstances of natural calamities, guidelines issued by the association of board under Gujcot Condition will be binding on all bargains.

On behalf of Gujarat Cotton Association

On behalf of Gujarat Cotton Association

**Akash Shah**  
President

**Ajay Shah**  
Secretary