



**GOVERNMENT OF KERALA**

**Abstract**

Industries Department - Cotton Board - Modalities for operationalisation of Cotton Board-Approved - Orders Issued.

**INDUSTRIES(C)DEPARTMENT**

G.O.(Rt)No.164/2023/ID Dated,Thiruvananthapuram, 28-02-2023

Read 1 G.O(Rt) No.1310/2022/ID dated 17.12.2022

2 Letter No.RIAB-Textiles/I-/2023/D-056 dated 10.02.2023 from the Secretary,RIAB ,Thiruvananthapuram.

3 Minutes of the 2<sup>nd</sup> meeting of Cotton Board held on 01.02.2023

**ORDER**

As per the Government Order read as 1<sup>st</sup> paper above, Cotton Board was constituted under the Chairmanship of Principal Secretary, Industries Department with Member Secretary, Public Sector Restructuring and Internal Audit Board(RIAB) as Fund Manager, Director of Handloom & Textiles, Managing Director, Kerala State Co-operative Textile Federation(TEXFED) and Managing Director, Kerala State Textile Corporation(KSTC) as members for the bulk procurement of cotton required for the Textile Mills working under Public and Co-operative sectors.

(2) While constituting Cotton Board as per Government Order read as 1<sup>st</sup> paper above, it was specified that the operational guidelines would be issued separately in furtherance to the said Government Order. As per the letter read as the 2<sup>nd</sup> paper above, the Secretary RIAB has submitted the minutes of the 2<sup>nd</sup> meeting of Cotton Board held on 01.02.2023 and on the basis of the minutes of the meeting requested Government to approve the modalities for operationalization of Cotton Board.

(3) Government have examined the matter in detail and are pleased to

approve the modalities for operationalization of the Cotton Board with the following salient features for effective bidding purposes for the procurement of cotton. The Key points are as listed below.

1. Eligibility Criteria for participating in the cotton purchase tender
2. Guidelines for fixing Cotton parameters for different count range
3. Commercial conditions -
  - (a) Tender Quantity
  - (b) Lead Time for Supply
  - (c) Penalty for delay in Supply
  - (d) Non-Refundable Tender Submission fee
  - (e) Earnest Money Deposit
  - (f) Option for Re-Tendering
  - (g) Options for Price quotes in the Financial Bid
  - (h) Payment Terms
  - (i) Award of Purchase Contract
  - (j) Quality Assurance
  - (k) Tolerance/Penalty/Deduction and Rejection
  - (l) Risk Purchase
  - (m) Arbitration
  - (n) Legal Jurisdiction
4. Approval of Fund flow mechanism from Government
- 5.. Signatories to Joint Payment account and Joint Collection account
6. Nomination of Cotton Tendering Committee
7. Nomination of Tender Evaluation Committee
8. Permission for e-tender Registration and use of Digital signature in National Informatics Centre (NIC) portal
9. Permission for PAN, GST, and other statutory requirements

10.Appointment of an accounting firm for Bookkeeping

11.Appointment of an Internal auditor

The above listed salient points and Escrow Mechanism chart for Cotton Board are annexed separately with this Government Order as tabled below.

Serial Nos of Key PointS	Page Number in the Annexure	Details of Annexure
1	1	<b>Annexure - I</b>
2	1	do
3	2 - 5	do
4	6	do
5	6	do
6	6	do
7	7	do
8	7	do
9	8	do
10	8	do
11	8	do
<b>Escrow Mechanism Chart</b>	1	<b>Annexure II</b>

(By order of the Governor)  
A P M MOHAMMED HANISH  
PRINCIPAL SECRETARY

To

The Chairman, Cotton Board (Through Secretary RIAB)  
The Director of Industries & Commerce, Thiruvananthapuram  
The Member Secretary, RIAB Thiruvananthapuram  
The Director of Handloom & Textiles, Thiruvananthapuram  
The Managing Director, Kerala State Textile Corporation Ltd, Thiruvananthapuram  
The Managing Director, TEXTFED, Thiruvananthapuram  
The Finance Department  
✓ The CEO, K-bip, Thiruvananthapuram  
I&PRD

## OPERATIONAL GUIDELINES AND INSTRUCTIONS FOR THE PURCHASE OF COTTON THROUGH STANDARD BIDDERS BY THE COTTON BOARD

### 1. Eligibility Criteria for participating in the cotton purchase tender

- The bidder should be a member of the Cotton Association of India. A proof to this effect shall be produced.
- The turnover of the bidder during the previous financial year should be more than INR 10 crores as per financial statements certified by a Chartered Accountant.
- The bidder should have purchased / sold a minimum quantity of 2500 candies of cotton during the previous financial year. The documentary proof should be duly certified by a Chartered Accountant.
- The bidder should not be a convict or in the list of accused in a charge sheet in criminal cases filed before any court, including cases under the Prevention of Corruption Act. An affidavit duly attested by a Notary Public should be submitted to this effect.

### 2. Guidelines for fixing Cotton parameters for different count range

Count & mixing	2.5% Staple Length (mm)	Uniformity Ratio (%)	Trash (%)	Micronaire range	Minimum Grams Per Tex	Moisture content (%)	Rd value	Colour grade
20/28s	26 & above	47 & above	<5	3.5-4.8	21	<8	≥73	≤ 32.6
30/36s	27 & above	47 & above	<4	3.5-4.5	22	<8	≥73	≤ 32.6
40s Carded & Combed	29 & above	47 & above	<3	3.6-4.2	22	<8	≥73	≤ 32.6
60s Carded & Combed	30 & above	47 & above	<3	3.5-4.0	23	<8	≥73	≤ 32.6
P/c Weft	29 & above	47 & above	<3	3.6-4.2	22	<8	≥73	≤ 32.6
P/C Warp up to 66s	29 & above	47 & above	<3	3.6-4.2	23	<8	≥73	≤ 32.6
60s, 62s Combed	32 & above	47 & above	<3	3.4-3.8	24	<8	≥73	≤ 32.6

80s Combed	34 & above	47 & above	<4	3.0-3.5	28	<8	≥73	≤ 32.6
100s Combed	35 & above	47 & above	<4	2.9-3.5	30	<8	≥73	≤ 32.6
120s / 150s Combed	37.5 & above	47 & above	<3	3.0-3.5	32	<8	≥73	≤ 32.6

### 3. Commercial conditions

#### a. Tender quantity

Ideally, the cotton required during the year should be purchased twice a year during the peak season (from October end to February) and during a mini season in June / July. But during the first year of operation of the Cotton Board, considering the corpus fund that is likely to be available, 5500 candy of Cotton as per specifications cited above can be tendered. Minimum lot size (total for each mill) shall be 2750 candy if the entire quantity is awarded to one bidder. Otherwise, there will be a proportionate reduction in lot size.

#### b. Lead time for supply

The despatch from the point of origin should be within five days and the balance should be despatched at regular intervals not exceeding 7 days. Supply of the contracted quantity should be completed within 60 days in 9 equal lots from the date of receipt of purchase order. No variation in the contracted quantity and price will be allowed during the period of validity of the purchase order.

#### c. Penalty for delay in supply

For every seven days delay from the last date given in the purchase order, a penalty amounting to 0.5% of the value of the purchase order will be charged.

#### d. Non-refundable Tender submission fee - INR 26,250/- inclusive of GST.

#### e. Earnest Money Deposit

The EMD will be INR 36 lakhs OR Unconditional Irrevocable Bank Guarantee for the equal amount. On awarding of the tender, this amount will be converted to Security Deposit in case of successful bidder(s). The Bank Guarantee will be returned after successful completion of contracted quantity.

The cash deposit / bank guarantee will be returned to the unsuccessful bidders within 10 days (excluding national holidays) from the finalisation of tender by the Cotton Board.

Bidders registered with the Government of India as an MSME will be exempted from remitting EMD if they submit a valid proof of registration. Once they become

successful in the tendering process, they will have to remit the security deposit of INR 36 lakhs OR Unconditional Irrevocable Bank guarantee for the equal amount.

f. Option for re-tendering:

During the period of supply, if the spot rate (price per candy of Cotton) in the Cotton Corporation of India during the period of supply stated in the purchase order is less by more than 5% of the price accepted by the Cotton Board, re-tendering will be done by the Cotton Board.

On the other hand, if the spot rate (price per candy of Cotton) in the Cotton Corporation of India during the period of supply stated in a purchase order is more by more than 5% of the price accepted by the Cotton Board, penalty for delay will not be charged up to 14 days from the anticipated date of receipt of cotton as mentioned in the purchase order OR till the date on which the spot rate (price per candy of Cotton) in the Cotton Corporation of India decreases to the threshold price (i.e. more than 5% of the price accepted by the Cotton Board), whichever is earlier.

g. Options for Price quotes in the financial bid

Transportation of Cotton by Road OR bulk movement through the India Post – Indian Railways arrangement using special cars which can carry 23 MT cargo OR by sea route can be chosen by the bidder. In the Financial bid, spot rate at the point of Origin AND other Costs inclusive of Transportation cost to a destination with an average distance of 250 Km from the point of entry into Kerala plus applicable Taxes & duties + Insurance for the consignment shall be quoted separately by the bidder in INR per candy of cotton. The options are for,

delivery at site through transportation by Road by the supplier

OR

delivery at site for transportation by Rail by the supplier

OR

CIF Cochin Port by the supplier

The last date of tender will be the 21<sup>st</sup> day from the date of publication of tender in the e-procurement portal of NIC and circulation of information in national dailies and government websites. Cotton Board reserves the right to withdraw the tender without intimation to the prospective bidders.

h. Payment terms

- 50% of the payment for each lot will be made through Letter of Credit from a Commercial / Scheduled Bank, based on the test report at the place of origin.
- Balance 50% will be made based on the test report at the destination.

i. Award of Purchase contract

60% of tendered quantity will be awarded to the L1 bidder after negotiations with the bidder following opening of commercial bids. The L2 and L3 bidders, in this order, will be given the opportunity to supply 40% of the tendered quantity, provided they match the L1 bid. This is to mitigate the risk of monopoly in supply. In case of

inability of L2 and L3 bidders to accept this offer, the entire quantity will be awarded to the L1 bidder.

j. Quality assurance

The sampling and quality tests of the Cotton to be despatched will be subject to analysis by the Third-Party Quality Assurance Agency appointed by the Cotton Board at the point of despatch, in accordance with the specifications mentioned in the tender document. A copy of the quantity and quality test report (third party quality assurance report) should be submitted through bank along with the invoice for effecting payment of 50% of the purchase value through Letter of Credit (LC).

The quantity received will be checked and authenticated by the agency / officers designated by the respective Mills. The quality will be checked in the Centre for Applied Research and Development in Textiles (CARDT), Thiruvananthapuram within 7 days from the date of receipt of goods. If there is a difference in quality parameters with reference to the Third-Party Quality Assurance Agency, the sample taken jointly at the instance of the Cotton Board and the supplier within 5 days will be tested in SITRA before the balance payment of 50% is released deducting penalty, if any, based on allowances permitted in the tender document. The re-test report from SITRA expected to be obtained within a further period of 7 days will be binding on both the parties.

The re-testing charges to SITRA will have to be borne by the supplier. For sampling a minimum 10% of the cotton despatched / received (from 10 bales (5 candy) to be randomly selected out of 100 bales (50 candy), which constitute a lot) will be taken. Three sets of samples as above will be drawn for the purpose of testing. Samples will be tested in High Volume Instrument (HVI) machine in International Calibration Cotton (ICC) mode.

k. Tolerance / Penalty/ Deduction and Rejection

If the supplier provides cotton with parameters lower than the specified parameters, deductions will be made from parties as under:

Parameter s	Deduction INR per Candy	Per unit of variation	Maximum deviation allowed	Total Deduction (Rs)
Length	80	0.1 mm	-0.5 mm	400
Micronaire	150	0.05	0.10	300
Strength (GPT)	160	0.5	-1.25	400

Maximum moisture content allowed in the supplied cotton is 8%. The lot consisting of 50 candy will be rejected if the moisture content is more than 10%. For the lot having more than 8% of moisture, deductions will be made at  $1.1 * (\text{Moisture}\% - 8\%)$  based on cost of lot. A trash of 1.5% higher than the specified level will be

accepted. Beyond this limit cotton will be rejected. A deduction at 1.3 times the excess trash percentage based on cost of the lot.

The cotton which does not confirm to the specifications and tolerance limits after aforesaid Quality Assurance tests will be summarily rejected. In case of rejection of lots, the transporting charges to lift the rejected lots will be borne by the supplier. For Non-lifting of the rejected lots within 15 days of intimation by the Cotton Board, a godowns rent of INR 40/- per bale per day will be applicable for next 15 days and thereafter, and INR 80/- per bale per day will be applicable if the rejected lots are not lifted for during the next 90 days. The rejected lots will be laying in the mill premises at the risk and cost of the supplier and the Cotton Board will not be responsible for any loss on any account.

At the event of rejection of any lot, a replacement request will be generated by the Cotton Board and communicated to the supplier within 48 hours with a time limit of 15 days from the date of replacement request for replacement of the lot.

Cotton Board shall be at the liberty to dispose / sell the rejected lot if it is not taken back by the bidder within 120 days from the date of receipt of the rejection report by the bidder.

If the supplier sends inferior cotton beyond the specified acceptable parameters in the purchase order on more than three occasions, the supplier will not be considered for two years.

#### l. Risk purchase

In the event of the Cotton Board terminating the contract in whole or in part due to poor performance of the Tenderer, Cotton Board may procure on such items and in such manner as Cotton Board deems appropriate, supplies similar to those so terminated and the tenderer shall be liable to the Cotton Board for any excess costs for similar supplies. However, in case of part termination of contract by the Cotton Board, the Tenderer shall continue the performance of the contract to the extent it is not terminated under provisions of this clause.

#### m. Arbitration

All dispute or differences whatsoever arising between the parties out of or relating to the supply of materials, meaning and operation or effect of this contract or the breach thereof shall be settled by arbitration, before a sole arbitrator, to be appointed by the Cotton Board, in accordance with the provisions of the Arbitration and Conciliation Act, 1996 and the venue of the Arbitration will be at Thiruvananthapuram and the award made in pursuance thereof shall be binding to the parties.

#### n. Legal jurisdiction

If any dispute arises, the parties can seek legal remedies by approaching the competent Civil Courts only at Thiruvananthapuram in the State of Kerala-India. No other Civil Courts other than Thiruvananthapuram in the State of Kerala will have the jurisdiction to entertain such case/dispute.

#### 4. Approval of fund flow mechanism from Government

To ensure recycling of funds without any drain, a Joint Payment Account / Joint Collection Account in electronic mode will be instituted in the Cotton Board. This account of the Cotton board will be maintained in a Nationalized / Scheduled bank and operated electronically. At the beginning of purchase, the funds will be parked and disbursed to the selected cotton vendors from the single Joint Payment account operated by the Fund Manager of Cotton Board and the Director of Handloom & Textiles after arrival of cotton and receipt of test results with reference to the quality parameters in the bid document.

The sales proceeds from yarn sale will be escrowed through the Joint Collection accounts for each mill. The Fund Manager, Cotton Board, and the Managing Director / General Manager of KSTC / TEXFED who is on regular rolls, as the case may be, will be the authorised signatory of the Joint Collection accounts. From such sales proceeds, the amount equivalent to the cost of cotton plus applicable interest + service charges of 0.25% will be transferred to the joint payment account stated above to operate the succeeding cycles. The remaining money will be given to the current account of each mill for meeting expenses other than the cost of cotton. The Mills that receive cotton from the Cotton Board will have to give a Power of Attorney to the Cotton Board to receive the proceeds from sale of yarn in the Joint Collection Account for each Mill, as is insisted now by commercial banks in similar modes of financing. The Cotton Board will not absorb cash deficits in individual units for any reason. A pictorial representation of the above mechanism is attached as Annexure.

#### 5. Signatories to Joint Payment account and Joint Collection account

A Joint Payment Account in electronic mode is to be operated jointly by the Fund Manager and Director of Handloom & Textiles be opened in a nationalised/scheduled bank in which RIAB has banking operations.

A Joint Collection account in electronic mode has to be opened for each Mill with the respective Managing Directors/ Chief Executive and the Fund Manager of Cotton Board as joint signatories in a nationalised/scheduled bank in which RIAB has banking operations.

#### 6. Nomination of Cotton Tendering Committee

A Cotton Tendering Committee is to be constituted for estimation of cotton requirement, bidding, and tabulation of results of bids periodically. The technical / financial bid opening and bid tabulation shall be done by the committee.

The roles of the tendering committee are defined as the Pre-bid role, technical bid scrutiny role and financial bid scrutiny role.

**The members of the tendering committee who will perform the Pre-bid roles are:**

1. General Manager (Technical & Commercial) – Kerala State Textile Corporation Ltd (KSTC)

- 2. Desk Officer in Public Sector Restructuring and Internal Audit Board (RIAB)
- 3. One Managing Director from a Co-operative spinning mill on yearly rotation policy.

**The Technical bid scrutiny team will consist of the following members:**

- 1. General Manager (Technical & Commercial) – Kerala State Textile Corporation Ltd
- 2. Desk Officer in Public Sector Restructuring and Internal Audit Board
- 3. A Managing Director ( not included in tendering committee) from a Co-operative spinning mill on yearly rotation policy
- 4. Immediate sub-ordinate Officer in charge of Commercial function in Kerala State Textile Corporation Ltd

**The Financial bid scrutiny team will consist of:**

- 1. General Manager (Technical & Commercial) – Kerala State Textile Corporation Ltd
- 2. Desk Officer in Public Sector Restructuring and Internal Audit Board
- 3. One among the Managing Directors from a Co-operative spinning mills on yearly rotation
- 4. Head of Finance in Kerala State Textile Corporation Ltd
- 5. Head of Finance of any Co-operative Spinning Mill

The members of the cotton Board will not be involved in the tendering and bid scrutiny process.

**7. Nomination of Tender Evaluation Committee**

A Tender Evaluation Committee is to be constituted with Fund Manager, Cotton Board, Director of Handloom & Textiles, Managing Director Kerala State Textile Corporation Ltd, Managing Director, Kerala State Co-operative Textile Federation Ltd and General Manager, Kerala State Textile Corporation Ltd as the members. The recommendation of results of the tendering process submitted by the technical bid scrutiny and financial bid scrutiny teams will be audited by the Internal Auditor of the Cotton Board before consideration of the Cotton Tender Evaluation Committee. Evaluation of quoted price will be based on cost of cotton at the Mill premises considering an average distance of 250 Km from the point of entry in Kerala which will be separately available in the financial bid. The results of evaluation will be submitted by the Tender evaluation Committee for a final decision by the Cotton Board.

**8. Permission for e-tender Registration and use of Digital signature in National Informatics Centre portal**

For inviting tenders through the e-tender portal of National Informatics Centre, the Cotton Board needs to be registered in the portal. The digital signatures of three authorised representatives of Cotton Board are to be uploaded in the NIC portal. For publication of bids, publication of amendments, if any, two out of three digital signatures are required. It is desirable that these members are part of the Cotton

Tendering Committee. The General Manager, Kerala State Textile Corporation Ltd, Desk Officer in Public Sector Restructuring and Internal Audit Board and Head of Finance of Kerala State Textile Corporation Ltd are authorized to use digital signature on behalf of Cotton Board for Tendering, Opening of technical and financial bids.

**9. Permission for PAN, GST, and other statutory requirements**

The Fund Manager, Cotton Board is authorised to apply for GST registration and PAN on behalf of the Cotton Board.

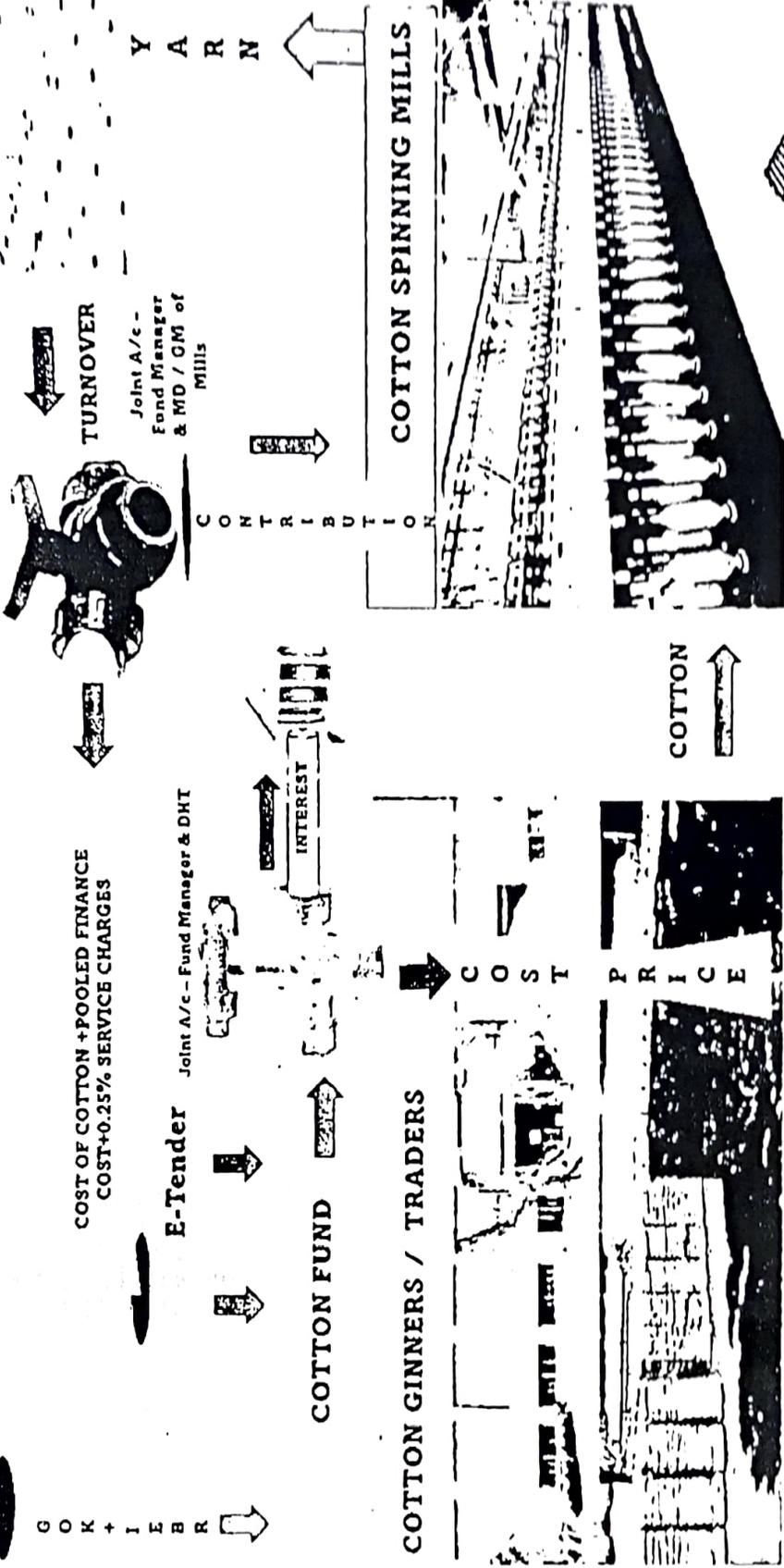
**10. Appointment of an accounting firm for Bookkeeping**

The transactions of the Cotton Board like purchase of cotton after e-tendering, transfer of cotton to mills, receipt of sales collection in joint collection account and further transfer of cost of cotton to joint payment account and contribution to joint collection account will have to be recorded in books of accounts to facilitate auditing. The Fund Manager is permitted to obtain quotes from four reputed Chartered Accountant firms empanelled by RIAB, for bookkeeping of the transactions in the Cotton Board.

**11. Appointment of an Internal auditor**

An Internal auditor is to be appointed for the Cotton Board. The Fund Manager is authorised to obtain quotes from four reputed Chartered accountant firms empanelled by RIAB, for internal audit in the Cotton Board.

# ESCROW MECHANISM FOR COTTON BOARD



*DeVlaed*