NATIONAL COMMODITY & DERIVATIVES EXCHANGE LIMITED

Circular to all trading and clearing members of the Exchange
Circular No : NCDEX/TRADING-069/2014/166
Date : May 22, 2014
Subject : Modification in contract specifications – Sugar (M Grade) (SUGARM200) futures contract

Trading and Clearing Members are requested to note that the Exchange, as per the Bye-laws, Rules and Regulations of the Exchange and with the approval of the Forward Markets Commission, has modified the contract specification in the Sugar futures contracts (Symbol: SUGARM) expiring in the months of October 2014 and thereafter. The contract expiring in the month of October 2014, December 2014, March 2015 and May 2015 will be available for trading from **May 23, 2014**. Contracts for further expiries will be launched as per the enclosed contract launch calendar.

Currently, Sugar futures contracts (Symbol: SUGARM200) expiring in June 2014, July 2014, August 2014 and September 2014 are available for trading and would continue to be traded as per existing contract specifications.

Summary of modifications in contract specifications for Sugar futures contracts expiring in October 2014 and thereafter is given in Annexure I. Existing Contract specifications applicable for Sugar futures contracts (Symbol: SUGARM200) expiring in June 2014, July 2014, August 2014 and September 2014 are given in Annexure II. Modified contract specifications applicable for Sugar futures contracts (Symbol: SUGARM) expiring in October 2014 and thereafter are given in Annexure III. Additional Delivery Mechanism – Direct Delivery (Seller's Warehouse with Mandatory Assaying) is given in Annexure IV. Grade and Location premium/ discount for the contract expiring in October 2014, December 2014, March 2015 and May 2015 is provided in Annexure V and Annexure VI respectively.

The contracts and the transactions therein will be subject to Rules, Bye Laws and Regulations of the Exchange and circulars issued by the Exchange as well as directives, if any, issued from time to time by the Forward Markets Commission.

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For and on behalf of
National Commodity & Derivatives Exchange Limited

Suresh Devnani
Head - Business Development

For further information / clarifications, please contact

1. Mr. Gaurav Middha/ Mr. Sachin Purwar on Phone (011) 6611 4761 / (040) 6658 6707/ (91) 9711159060/ (91) 7799844114
2. Customer Service Group on phone: (022) 6640 6609-12, (011) 2334 4795
3. Customer Service Group by e-mail to : askus@ncdex.com

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Annexure-I

Summary of the modifications in contract specifications – Sugar futures contracts:

Sr. No.	Particulars	Existing Contract Specifications	Modified Contract Specifications
1	Ticker Symbol	SUGARM200	SUGARM
2	Basis	Ex-warehouse Kolhapur inclusive of all taxes	Ex-warehouse Kolhapur exclusive of Sales Tax/VAT and other taxes
3	Delivery Unit	10 MT net basis packed in 50 Kgs new A Twill Bags/PP bags Also deliverable in 100 Kg new A Twill jute bags	10 MT
4	Quality Specification: ICUMSA (Sugar M)	> or = 150 ICUMSA and < 200 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book	< or =150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book
5	Quality Specification: ICUMSA (Sugar S)	> or = 100 ICUMSA and < 150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book	< or = 150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book
6	Quality Specification: Grain Size (Sugar M)	Medium as determined by the methods prescribed in IS:498-2003	Medium with > or = 85% retention on 1.18 mm sieve size as determined by the methods prescribed in IS:498-2003

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7	Also Deliverable Quality Specification: Grain Size (Sugar S)	Small as determined by the methods prescribed in IS:498-2003	Small with > or = 70% retention on 600 micron sieve size as determined by the methods prescribed in IS:498-2003
8	Parameter-Polarisation	Polarisation	Polarisation (Sucrose)
9	Quality Specification: Sulphur dioxide	NA	70 ppm maximum
10	Quality Specification: Dirt, Filth, Iron Filings and Added Colouring Matter	NA	It shall be free from dirt, filth, iron filings, and Added colouring matter
11	Quality Specification: Extraneous matter	NA	Extraneous matter shall not exceed 0.1 per cent by weight
12	Tolerance Level ICUMSA	+/- 25	+/- 10
13	Delivery Center	Kolhapur (up to 100 km from city limits)	Kolhapur (up to 100 km from municipal limits)
14	Additional Delivery Centers	Belgaum, Delhi, Kolkata, Pune, Sangli and Solapur (Within a radius of 100 km from municipal limits) Location Premium/ Discount as notified by the Exchange from time to time	Erode, Belgaum, Delhi, Kolkata, Pune, Sangli and Solapur (Within a radius of 100 km from municipal limits) Location Premium/ Discount as notified by the Exchange from time to time

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15	Premium/ Discount	S grade Sugar with ICUMSA less than 100 could be accepted as good delivery but with no premium. Sugar S with ICUMSA more than 150 shall be rejected. M grade Sugar with ICUMSA 100 – 150 could be accepted as good delivery but with no premium. Sugar with ICUMSA more than 200 shall be rejected.	Sugar S with ICUMSA more than 150 shall be rejected. Sugar M with ICUMSA more than 150 shall be rejected.
16	Contract Settlement	Compulsory Delivery (Staggered Delivery Mechanism)	Compulsory Delivery
17	Delivery Mechanism	Comtrack System	Comtrack + Direct Delivery System
18	Tender Period	Tender Date –T Tender Period: The tender period shall start on 11th of every month in which the contract is due to expire. In case 11th happens to be a Saturday, a Sunday or a holiday at the Exchange, the tender period would start from the next working day.	Not applicable

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		Pay-in and Pay-out: On a T+2 basis. If the tender date is T, then pay-in and pay-out would happen on T+2 day (excluding Saturday). If such a T+2 day happens to be a Saturday, a Sunday or a holiday at the Exchange, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day.	
19	Delivery Specification	Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery. During the Tender period, if any delivery is tendered by seller, the corresponding buyer having open position and matched as per process put in place by the Exchange, shall be bound to settle by taking delivery on T + 2 day from the delivery center where the seller has	Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery. The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/ TRADING-086/2008/216 dated September 16, 2008.

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		delivered same. The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/ TRADING-086/2008/216 dated September 16, 2008.	
20	Closing of contract	Clearing and settlement of contracts will commence with the commencement of Tender Period by compulsory delivery of each open position tendered by the seller on T + 2 to the corresponding buyer matched by the process put in place by the Exchange. Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.	Expiry Date – E Pay-in and Pay-out: On E+2 basis. If the expiry date is E, then pay-in and pay-out would happen on E+2 day (excluding Saturday). If such a E+2 day happens to be a Saturday, a Sunday or a holiday at the Exchange, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day. Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.
21	Due date/ Expiry date	Expiry date of the contract:	Expiry date of the contract:

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		20th day of the delivery month. If 20th happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange, which is other than a Saturday. The settlement of contract would be by a staggered system of Pay-in and Pay-out including the Last Pay- in and Pay-out which would be the Final Settlement of the contract.	20th day of the delivery month. If 20th happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange, which is other than a Saturday.

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Annexure-II

Existing Contract Specification – Sugar futures contract

(Applicable for contracts expiring in June 2014, July 2014, August 2014 and September 2014)

<table>
<tr><td>Type of Contract</td><td>Futures Contract</td></tr>
<tr><td>Name of commodity</td><td>Sugar (M Grade)</td></tr>
<tr><td>Ticker Symbol</td><td>SUGARM200</td></tr>
<tr><td>Trading System</td><td>NCDEX Trading System</td></tr>
<tr><td>Basis</td><td>Ex-warehouse Kolhapur inclusive of all taxes</td></tr>
<tr><td>Unit of Trading</td><td>10 MT</td></tr>
<tr><td>Delivery Unit</td><td>10 MT net basis packed in 50 Kgs new A Twill Bags/PP bags Also deliverable in 100 Kg new A Twill jute bags</td></tr>
<tr><td>Maximum Order Size</td><td>500 MT</td></tr>
<tr><td>Quotation/Base Value</td><td>Rs/quintal</td></tr>
<tr><td>Tick Size</td><td>Re 1</td></tr>
<tr><td>Quality Specification</td><td>Sugar in crystal form manufactured by vacuum pan method with:
<table>
<tr><td>Moisture</td><td>0.08% Max</td></tr>
<tr><td>Polarization</td><td>99.80% Min</td></tr>
<tr><td>ICUMSA</td><td>> or = 150 ICUMSA and < 200 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book</td></tr>
<tr><td>Grade</td><td>M</td></tr>
<tr><td>Grain Size</td><td>Medium as determined by the methods prescribed in IS:498-2003</td></tr>
<tr><td>Crop Year Reference</td><td>Till December expiry contract:</td></tr>
</table>
</td></tr>
</table>

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<table>
<tr><td></td><td><table><tr><td></td><td>Production of the last crushing season is allowed in addition to current crop.
From January expiry contract:
Production of only current crushing season is allowed.</td></tr></table></td></tr>
<tr><td>Quantity Variation</td><td>+/- 5%</td></tr>
<tr><td>Delivery Center</td><td>Kolhapur (up to 100 km from city limits)</td></tr>
<tr><td>Additional delivery centers</td><td>Belgaum, Delhi, Kolkata, Pune, Sangli and Solapur (Within a radius of 100 km from municipal limits)
Location Premium/Discount as notified by the Exchange from time to time</td></tr>
<tr><td>Hours of Trading</td><td>As per directions of the Forward Markets Commission from time to time, currently:-
Mondays through Fridays: 10:00 a.m. to 11.30 p.m. / 11.55 p.m.*

On the expiry date, contracts expiring on that day will not be available for trading after 5 PM.
* during US day light saving period
The Exchange may vary the above timing with due notice</td></tr>
<tr><td>Delivery Logic</td><td>Compulsory Delivery</td></tr>
<tr><td>Also Deliverable</td><td>Sugar S of the following Specification:<table><tr><td>Moisture</td><td>0.08%Max</td></tr><tr><td>Polarization</td><td>99.80% Min</td></tr><tr><td>ICUMSA</td><td>> or = 100 ICUMSA and < 150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book</td></tr><tr><td>Grade</td><td>S</td></tr></table></td></tr>
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	<table><tr><td>Grain Size</td><td>Small as determined by the methods prescribed in IS:498-2003</td></tr><tr><td>Crop Year Reference</td><td>**Till December expiry contract:** Production of the last crushing season is allowed in addition to current crop **From January expiry contract:** Production of only current crushing season is allowed.</td></tr></table> The premium/discount would be announced before the launch of the contracts.
Final settlement price	The Final Settlement Price (FSP) shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz., E0 (expiry day), E-1 and E-2. In the event of the spot prices for any one of the E-1 and E-2 is not available; the spot price of E-3 would be used for arriving at the average. In case the spot prices are not available for E-1 and E-2, then the average of E0 and E-3 (two days) would be taken. If all the three days' prices viz., E-1, E-2 and E-3 are not available, then only one day's price viz., E0 will be taken as the FSP.
Opening of Contracts	Trading in new contract will open on the 1st day of the month in which near month contract is due to expire. If the 1st day happens to be a non-trading day, contracts would open on the next trading day
Tender Period	Tender Date –T **Tender Period**: The tender period shall start on 11th of every month in which the contract is due to expire. In case 11th happens to be a Saturday, a Sunday or a holiday at the Exchange, the tender period would start from the next working day. Pay-in and Pay-out:

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	On a T+2 basis. If the tender date is T, then pay-in and pay-out would happen on T+2 day (excluding Saturday). If such a T+2 day happens to be a Saturday, a Sunday or a holiday at the Exchange, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day.
Closing of contract	Clearing and settlement of contracts will commence with the commencement of Tender Period by compulsory delivery of each open position tendered by the seller on T + 2 to the corresponding buyer matched by the process put in place by the Exchange. Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery.
Due date/Expiry date	Expiry date of the contract: 20th day of the delivery month. If 20th happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange, which is other than a Saturday. The settlement of contract would be by a staggered system of Pay-in and Pay-out including the Last Pay-in and Pay-out which would be the Final Settlement of the contract.
Delivery Specification	Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery. During the Tender period, if any delivery is tendered by seller, the corresponding buyer having open position and matched as per process put in place by the Exchange, shall be bound to settle by taking delivery on T + 2 day from the delivery center where the seller has delivered same. The penalty structure for failure to meet delivery

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	obligations will be as per circular no. NCDEX/ TRADING-086/2008/216 dated September 16, 2008.
No. of active contracts	As per Launch Calendar
Price Band	Daily price fluctuation limit is (+/-) 3%. If the trade hits the prescribed daily price limit there will be a cooling off period for 15 minutes. Trade will be allowed during this cooling off period within the price band. Thereafter the price band would be raised by another (+/-) 1% and trade will be resumed. If the price hits the revised price band (+/-) 4% again during the day, trade will only be allowed within the revised price band. No trade/order shall be permitted during the day beyond the revised limit of (+/-) 4%.
Position Limits	Limit for aggregate contracts traded on all the Exchanges – applicable for all the contracts together for Grade-M and Grade-S both including position in expiry month: Client-wise: 20,000 MT Member-wise: 1,00,000 MT OR 15% of the market wide open interest, whichever is higher The above limits will not apply to bona fide hedgers. For bona fide hedgers, the Exchange will, on a case to case basis, decide the hedge limits. Please refer to Circular No. NCDEX/TRADING-100/2005/219 dated October 20, 2005. **For near month contracts:** The following limits would be applicable from 1st of every month in which the contract is due to expire. If 1st happens to be a non-trading day, the near month limits would start from the next trading day

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	Client-wise: 8,000 MT Member-wise: 40,000 MT or 15% of the market-wide open interest, whichever is higher
Special Margin	Special margin of 10% of the value of the contract, Whenever the rise and fall in price exceeds 20% from the first day's closing price, is payable by buyer or seller, depending upon whether price rise or fall as the case may be. The margin shall stay in force so long as price stays beyond 20% limit and will be withdrawn as soon as the price is within 20% band
Minimum Initial margin	5%
Premium/Discount	S grade Sugar with ICUMSA less than 100 could be accepted as good delivery but with no premium. Sugar S with ICUMSA more than 150 shall be rejected. M grade Sugar with ICUMSA 100 – 150 could be accepted as good delivery but with no premium. Sugar with ICUMSA more than 200 shall be rejected.

Tolerance Limit – Sugar M Grade

Commodity Specifications	**Basis**	**Acceptable quality range as per contract specification**	**Permissible Tolerance**
Moisture	0.08% Max	-	-
Polarization	99.80% Min	-	-
ICUMSA	> or = 150 ICUMSA and < 200 ICUMSA as determined by GS9/1/2/3-8 prescribed	Sugar with ICUMSA between 100 and 150 also accepted as good delivery	+/- 25 ICUMSA

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	in Sugar Analysis ICUMSA Method Book		
Grade	M	-	-
Grain Size	Medium as determined by the methods prescribed in IS:498-2003	-	-

Tolerance Limit – Sugar S Grade

Commodity Specifications	**Basis**	**Acceptable quality range as per contract specification**	**Permissible Tolerance**
Moisture	0.08% Max	-	-
Polarization	99.80% Min	-	-
ICUMSA	> or = 100 ICUMSA and < 150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book	Sugar with ICUMSA less than 100 is acceptable as good delivery	+/- 25 ICUMSA
Grade	S	-	-
Grain Size	Small as determined by the methods prescribed in IS:498-2003	-	-

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Annexure-III

Modified Contract Specification – Sugar futures contract

(Applicable for contracts expiring in October 2014 and thereafter)

<table>
<tr><td>Type of Contract</td><td>Futures Contract</td></tr>
<tr><td>Name of commodity</td><td>Sugar (M Grade)</td></tr>
<tr><td>Ticker Symbol</td><td>SUGARM</td></tr>
<tr><td>Trading System</td><td>NCDEX Trading System</td></tr>
<tr><td>Basis</td><td>Ex-warehouse Kolhapur Exclusive of Sales Tax/VAT and other taxes</td></tr>
<tr><td>Unit of Trading</td><td>10 MT</td></tr>
<tr><td>Delivery Unit</td><td>10 MT</td></tr>
<tr><td>Maximum Order Size</td><td>500 MT</td></tr>
<tr><td>Quotation/Base Value</td><td>Rs/quintal</td></tr>
<tr><td>Tick Size</td><td>Re 1</td></tr>
<tr><td>Quality Specification</td><td>Sugar in crystal form manufactured by vacuum pan method with:
<table>
<tr><td>Moisture</td><td>0.08% Max</td></tr>
<tr><td>Polarisation(Sucrose)</td><td>99.80% Min</td></tr>
<tr><td>ICUMSA</td><td>< or =150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book</td></tr>
<tr><td>Grade</td><td>M</td></tr>
<tr><td>Grain Size</td><td>Medium with > or = 85% retention on 1.18 mm sieve size as determined by the methods prescribed in IS:498-2003</td></tr>
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	Sulphur Dioxide	**70 ppm maximum**
	Dirt, Filth, Iron filings, and Added Colouring matter	**It shall be free from dirt, filth, iron filings, and added colouring matter**
	Extraneous matter	**Extraneous matter shall not exceed 0.1 per cent by weight**
	Crop Year Reference	**Till December expiry contract:** Production of the last crushing season is allowed in addition to current crop. **From March expiry contract:** Production of only current crushing season is allowed.
Quantity Variation	+/- 5%	
Delivery Center	**Kolhapur (up to 100 km from municipal limits)**	
Additional delivery centers	**Erode, Belgaum, Delhi, Kolkata, Pune, Sangli and Solapur (Within a radius of 100 km from municipal limits)** **Location Premium/Discount as notified by the Exchange from time to time**	
Hours of Trading	As per directions of the Forward Markets Commission from time to time, currently- Mondays through Fridays: 10:00 AM to 11.30 p.m. / 11.55p.m.* (*during US day light saving period) On the expiry date, contracts expiring on that day will not be available for trading after 5 p.m. The Exchange may vary the above timing with due Notice	

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<table>
<tr><td>Delivery Logic</td><td>Compulsory Delivery</td></tr>
<tr><td>Also Deliverable</td><td>Sugar S of the following Specification:
<table>
<tr><td>Moisture</td><td>0.08%Max</td></tr>
<tr><td>Polarisation(Sucrose)</td><td>99.80% Min</td></tr>
<tr><td>ICUMSA</td><td>< or = 150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book</td></tr>
<tr><td>Grade</td><td>S</td></tr>
<tr><td>Grain Size</td><td>Small with > or = 70% retention on 600 micron sieve size as determined by the methods prescribed in IS:498-2003</td></tr>
<tr><td>Sulphur Dioxide</td><td>70 ppm maximum</td></tr>
<tr><td>Dirt, Filth, Iron filings, and Added Colouring matter</td><td>It shall be free from dirt, filth, iron filings, and added colouring matter</td></tr>
<tr><td>Extraneous matter</td><td>Extraneous matter shall not exceed 0.1 per cent by weight</td></tr>
<tr><td>Crop Year Reference</td><td>Till December expiry contract:
Production of the last crushing season is allowed in addition to current crop
From March expiry contract:
Production of only current crushing season is allowed.</td></tr>
</table>
The premium/discount would be announced before the</td></tr>
</table>

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	launch of the contracts.
Final settlement price	The Final Settlement Price (FSP) shall be arrived at by taking the simple average of the last polled spot prices of the last three trading days viz., E0 (expiry day), E-1 and E-2. In the event of the spot prices for any one of the E-1 and E-2 is not available; the spot price of E-3 would be used for arriving at the average. In case the spot prices are not available for both E-1 and E-2, then the average of E0 and E-3 (two days) would be taken. If all the three days' prices viz., E-1, E-2 and E-3 are not available, then only one day's price viz., E0 will be taken as the FSP.
Opening of Contracts	Trading in new contract will open on the 1st day of the month in which near month contract is due to expire. If the 1st day happens to be a non-trading day, contracts would open on the next trading day
Closing of contract	**Expiry Date – E** **Pay-in and Pay-out:** **On E+2 basis. If the expiry date is E, then pay-in and pay-out would happen on E+2 day (excluding Saturday). If such a E+2 day happens to be a Saturday, a Sunday or a holiday at the Exchange, clearing banks or any of the service providers, pay-in and pay-out would be effected on the next working day.** **Upon the expiry of the contract all outstanding open position shall result in compulsory delivery**
Due date/Expiry date	**Expiry date of the contract:** **20th day of the delivery month. If 20th happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange, which is other than a Saturday.**

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Delivery Specification	**Upon expiry of the contracts all the outstanding open positions shall result in compulsory delivery.** **The penalty structure for failure to meet delivery obligations will be as per circular no. NCDEX/ TRADING-086/2008/216 dated September 16, 2008.**
Additional Delivery Mechanism	**An additional mechanism of direct delivery with Seller's Warehouse with Mandatory Assaying shall be available for the participants.**
No. of active contracts	As per Launch Calendar
Price Band	Daily price fluctuation limit is (+/-) 3%. If the trade hits the prescribed daily price limit there will be a cooling off period for 15 minutes. Trade will be allowed during this cooling off period within the price band. Thereafter the price band would be raised by another (+/-) 1% and trade will be resumed. If the price hits the revised price band (+/-) 4% again during the day, trade will only be allowed within the revised price band. No trade/order shall be permitted during the day beyond the revised limit of (+/-) 4%.
Position Limits	Limit for aggregate contracts traded on all the Exchanges – applicable for all the contracts together for Grade-M and Grade-S both including position in expiry month: Client-wise: 20,000 MT Member-wise: 1,00,000 MT OR 15% of the market wide open interest, whichever is higher The above limits will not apply to bona fide hedgers. For bona fide hedgers, the Exchange will, on a case to case basis, decide the hedge limits. Please refer to Circular No. NCDEX/TRADING-100/2005/219 dated October 20, 2005.

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	For near month contracts: The following limits would be applicable from 1st of every month in which the contract is due to expire. If 1st happens to be a non-trading day, the near month limits would start from the next trading day Client-wise: 8,000 MT Member-wise: 40,000 MT or 15% of the market-wide open interest, whichever is higher
Special Margin	Special margin of 10% of the value of the contract, Whenever the rise and fall in price exceeds 20% from the first day's closing price, is payable by buyer or seller, depending upon whether price rise or fall as the case may be. The margin shall stay in force so long as price stays beyond 20% limit and will be withdrawn as soon as the price is within 20% band
Minimum Initial margin	5%
Premium/Discount	**Sugar M with ICUMSA more than 150 shall be rejected.** **Sugar S with ICUMSA more than 150 shall be rejected.**

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Tolerance Limit – Sugar M Grade

Commodity Specifications	**Basis**	**Acceptable quality range as per contract specification**	**Permissible Tolerance**
Moisture	0.08% Max	-	-
Polarisation	99.80% Min	-	-
ICUMSA	**< or = 150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book**	**-**	**+/- 10 ICUMSA**
Grade	M	-	-
Grain Size	**Medium with > or = 85% retention on 1.18 mm sieve size as determined by the methods prescribed in IS:498-2003**	-	-
Sulphur Dioxide	**70 ppm maximum**	-	-
Dirt, Filth, Iron filings, and Added Colouring matter	**It shall be free from dirt, filth, iron filings, and added colouring matter**	-	-

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Extraneous matter	**Extraneous matter shall not exceed 0.1 per cent by weight**	-	-

Tolerance Limit – Sugar S Grade

Commodity Specifications	**Basis**	**Acceptable quality range as per contract specification**	**Permissible Tolerance**
Moisture	0.08% Max	-	-
Polarisation	99.80% Min	-	-
ICUMSA	**< or = 150 ICUMSA as determined by GS9/1/2/3-8 prescribed in Sugar Analysis ICUMSA Method Book**	-	**+/- 10 ICUMSA**
Grade	S	-	-
Grain Size	**Small with > or = 70% retention on 600 micron sieve size as determined by the methods prescribed in IS:498-2003**	-	-
Sulphur Dioxide	**70 ppm maximum**	-	-
Dirt, Filth, Iron filings,	**It shall be free from dirt, filth, iron filings,**	-	-

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and Added Colouring matter	**and added colouring matter**		
Extraneous matter	**Extraneous matter shall not exceed 0.1 per cent by weight**	-	-

Contract Launch Calendar

Contract Launch Month	**Contract Expiry Month**
May 23, 2014	October 2014, December 2014, March 2015 and May 2015
June 2014	July 2015
July 214	October 2015

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Annexure IV

Salient Features of Direct delivery and delivery through Comtrack:

1. Both the options (Comtrack + Direct Delivery) would be available to the seller on the day of expiry. So the seller would have the choice to opt between Direct Delivery and Comtrack Delivery on the day of expiry.
2. The seller can mark delivery intention under Direct or Comtrack delivery on the day of expiry during prescribed time.
3. Funds Payin/Payout under Comtrack delivery option will happen on E+2 as per the existing process.
4. Funds Payin under Direct delivery option will happen on E+2 and funds pay-out would happen on E+9.
5. Upon the expiry of the contract all the outstanding open position shall result in compulsory delivery. In case no delivery intentions are received under Direct delivery option, the compulsory allocation will be completed as per Comtrack delivery option as per the existing process.
6. A maximum of 10% of the near month limit can only be delivered through direct delivery mechanism by a seller.
7. The settlement will be completed based on the confirmations by assayer which shall be binding on parties.

The process flow for settlement under direct delivery would be as follows:

A) E (Expiry day):

1. For Direct Delivery option, the Seller can mark their delivery intention on day of expiry of the contract during the time intention marking period. If any intention is marked by Seller, then allocation would take place based on open position of the corresponding buyer as matched by the system.

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B) E+1

1. The details of allocation displayed to buyers and sellers so that required information can be updated. The delivery location will be received by Exchange on the day, Intention is marked by seller as per existing Exchange process through NCFE. Details of tax settlement and warehouse details will be uploaded by buyers and sellers though NCFE via their respective members. The detail of information required is given in point C (E+2).

2. Buyer shall appoint an assayer from list of empaneled assayer provided by Exchange.

3. Failure to appoint assayer by buyer in required time as prescribed by Exchange procedures shall result in buyers default

4. The buyer has to compulsorily get the goods assayed by the allotted assayer. The seller would pay the assaying charges.

C) E+2

1. Pay in of funds from allocated Buyers on basis grade.

2. Buyer will give details for tax settlement, and correspondence address.

3. Seller will give details of warehouse at delivery location & correspondence address.

D) E+3 to E+8; Assaying and Lifting Period

1. Depending on the total allocated quantity, Assayer will inform both the buyer and seller of the delivery schedule, so that the assaying results are available to Exchange latest by EOD on E+8.

2. Buyer will lift the goods from the seller's informed location.

3. All Buyers who have been allocated deliveries would necessarily have to get goods assayed & lifted, if found within the specifications by the Assayer, and follow the process as prescribed by the Exchange. In case

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the buyer fails to lift goods by E+8, it will be considered as Buyer's default to the extent of goods not lifted and applicable penalties shall be levied.

4. Assayer will be present at seller's informed location, according to the delivery schedule, and will conduct assaying of goods.
5. Assayer will upload the report of quality and quantity of goods and accordingly accept/reject the goods, as per Exchange specified quality norms. Assayer shall carry out the testing for the parameters as per contract specifications alone and any other parameters not covered in the specifications shall be the responsibility of the respective seller.
6. All Premium/ Discount related to quality, based on the report of the buyer appointed assayer, would be applicable.
7. In case the goods tendered for delivery, on assaying, fails to conform to the tenderable range of contract specifications, it would constitute a Seller's default.
8. Seller & Buyer or their representatives have an option to supervise the assaying process.
9. Assayer will give final confirmation of completion of physical delivery.
10. The Assayer will confirm the quantity delivered by Seller and quantity received by Buyer based on which Buyer's/ Seller's default will be computed.
11. The entire process needs to be completed by E+8 EOD.
12. All risk and costs associated with storage of goods in the Seller's warehouse, for the entire duration of assaying, i.e. till the time settlement is completed, would be borne by the Seller.

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E+9 (Pay – Out)

Case 1 – the goods are accepted and completion of delivery confirmed by Assayer

- Pay out to seller,
- Settlement of premium discount for quality & close out shortages (if any)
- Tax details will be passed on to Seller to be updated

Case 2 – Sellers default

- In case of Seller's default, applicable penalties shall be levied

Case 3 – Buyers default

- In case of Buyer's default, applicable penalties shall be levied

E) E+10

- Settlement of Tax
- Seller issues Invoice

<u>Delivery Defaults</u>

Seller's Default - This could happen under the following situations and will be confirmed by Exchange appointed Assayer

Case 1: Seller fails to give details of warehouse location or fails to arrange goods after allocation under direct delivery

Case 2: The seller arranges only for partial quantity, than to the extent of quantity not arranged by Seller.

Case 3: The lot delivered by Seller fails on assaying

Case 4: The lot assayed by the buyer with a buyer appointed assayer, and stack locked subsequently, if later found to have been tampered or damaged in any way, at the day of lifting.

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Case 5: If the lots could not be lifted by the Buyer within the stipulated time frame, due to established issues at the Seller's end, then penalty for the proportionate unlifted lots would be imposed on Seller. Assayer will confirm on same.

Case 6: Seller fails to get assaying done within the stipulated time frame, i.e. if the report is not submitted in NCFE by EOD on E+8 for whatsoever reasons

- In case of seller default after allocation (i.e. E+1 to E+8), the prescribed penalty will be 3% as per below;
  a) 1.75 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;
  b) 1 % component of the penalty shall go to the Buyer who was entitled to receive delivery; and
  c) Balance 0.25 % component of penalty shall be retained by the Exchange towards administrative expenses.
  d) This penalty shall be settled on E+9

The difference between the Final Settlement Price (FSP) and the average of three highest of the last spot prices of 9 (Nine) succeeding days after the expiry of contract (E+ 1 to E +9 days), if the average spot price so determined is higher than FSP will also be charged to the seller. This differential penalty shall be settled on E+10 and will go to the buyer.

Buyer's Default - This could happen under the following situations

Case 1: Buyer fails to get assaying done within the stipulated time frame, i.e. if the report is not submitted in NCFE by EOD on E+8 for whatsoever reasons

Case 2: Buyer fails to lift some or all of the lots within lifting period (E+3 to E+8). Assayer will confirm on same.

Case 3: Buyer fails to appoint assayer in required time as prescribed by Exchange procedures shall result in buyers default

1. The buyer would be penalized and 3% penalty will be levied on buyer and will be used as under:

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a) 1.75 % component of the penalty shall be deposited in the Investor Protection Fund of the Exchange;

b) 1 % component of the penalty shall go to the Seller who was supposed to give delivery; and

c) Balance 0.25 % component of penalty shall be retained by the Exchange towards administrative expenses

d) This penalty shall be settled on E+9

2. The difference between the Final Settlement Price (FSP) and the average of three lowest of the last spot prices of 9 (Nine) succeeding days after the expiry of contract (E+ 1 to E +9 days), if the average spot price so determined is lower than FSP will also be charged from the buyer. This differential penalty shall be settled on E+10 and will go to the seller.

The delivery pay-in taken from the buyer shall be reversed on E+9 in case of buyers default and sellers default and appropriate penalties shall be levied.

Other Important Points to be noted by the participants

- Seller can get the goods pre-tested from any of the empanelled assayer before tendering physical delivery as a precaution.
- Seller and Buyer can mutually agree to keep the goods in the seller's warehouse but for the purpose of settlement it would be treated as goods lifted by the Buyer, i.e. constructive delivery/possession to Buyer.
- The client cannot deliver his commodities from exchange approved warehouses if he has opted for direct delivery mechanism.
- The client cannot deliver any of the goods with FED markings and all the delivered goods should comply with all the quality parameters as per the contract specifications
- In case no delivery intentions are received under the Direct delivery option, the compulsory allocation for physical deliveries will be completed as per Comtrack delivery option as per the existing process of delivery allocation.

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Annexure-V: Premium/ Discount for grade difference:

Base Grade	Additional Grade	P/D Applicable to additional grade
Sugar M Grade	Sugar S Grade	(-) ₹ 80/ Quintal

Annexure-VI: Premium/ Discount for location difference:

Commodity (Base Centre)	Addition Delivery Centre	(+) Premium/ (-) Discount
Sugar (Kolhapur)	Belgaum	No Premium/ Discount
	Delhi	+ ₹ 150 / Quintal
	Erode	No Premium/ Discount
	Kolkata	+ ₹ 150 / Quintal
	Pune	No Premium/ Discount
	Sangli	No Premium/ Discount
	Solapur	No Premium/ Discount

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