

TRADING CORPORATION OF PAKISTAN (PRIVATE) LIMITED
SOP FOR COTTON PROCUREMENT OF CROP 2014-15

SOP No. CP/01/2014

Date of Issue: November 11, 2014

CROP YEAR 2014-15

The following SOP for Procurement of Cotton by TCP during the Crop Year 2014-15 is hereby approved by the Executive Committee of Management (ECM) of TCP.

1. COMPLIANCE

- i. Compliance of the SOP shall be strictly ensured by the General Manager(s), Deputy General Manger(s), Managers, Deputy Managers in the concerned Division of TCP and Incharges of all the Cotton Procurement Centers (CPCs) , Classers and Cotton Procurement Agents (CPAs), working under the supervision of the General Manager Cotton, who shall be responsible for their administration, regulation, control and performance.
- ii. GM Cotton shall ensure that Cotton Procurement Policy approved by Monitoring Committee constituted by ECC communicated to TCP vide Ministry of Textile letter number 2(7)/2014-Cotton II dated 22nd Oct.20143 is implemented in letter and spirit for achieving all the objectives of government intervention in the cotton market.
- iii. Cotton Division may issue separate Instructions, convey Duties and Responsibilities, or/and forms / formats, for reports/record keeping to further clarify and streamline the working of CPCs, Agents and Classers for ensuring that TCP gets value for money and for removal of difficulties.
- iv. In the absence of GM Cotton at Karachi, the DGM Cotton shall exercise all the powers of GM Cotton.
- v. Any difference of opinion, conflict and dispute between CPC and Cotton Division shall be referred without loss of time to Director concerned for resolution.
- vi. Disputes between and among CPC, Classers, Cotton Procurement Agent shall be resolved by GM /DGM Cotton.

2. PROCUREMENT OF COTTON

- i. The cotton shall be procured on Ex-TCP storage point(s) delivery basis.
- ii. Grade 3 as per PCSI Grade Box-III, received by GM Cotton and handed over to all Cotton Procurement Centres (CPCs) and Classers, free from foreign matter, damage, stains, admixture of old or inferior crop of any description.
- iii. Staple length = minimum 1-1/16"
- iv. Micronaire reading = 3.8 to 4.9 N.C.L.
- v. Moisture content = maximum 8.5 %
- vi. Initial quality check report will be made by Classer at each Cotton Procurement Centre. It will be countersigned by Incharge CPC.
- vii. Final Quality Assessment (FQA), to check that cotton delivered to TCP is not lower than the initial quality as assessed, shall be carried out at TCP warehouse by joint team of TCP/PCSI Classers and PCGA representative.
- viii. The contracts would be signed for a minimum quantity of 600 bales at a time, per factory. One factory shall only enter into contract under one name and one NTN.
- ix. Micronaire of cotton will be got checked from Nawabshah and Multan.

Cotton Centres	Micronaire Machine Centre
Mirpurkhas, Nawabshah, Sukkur and Hala	CPC Nawabshah
Multan, Vehari, Sahiwal and Dera Ghazi Khan, Rahim Yar Khan and Bahawalpur	TCP Regional Office, Multan

- x. Incharge CPC shall ensure that Cotton of only prescribed grade, staple length and micronaire of 3.8 to 4.9 NCL is dispatched from ginning factories.
- xi. Classer(s) will record the micronaire of cotton in the Initial Evaluation Report (IER) and Incharge Cotton Procurement Centre shall countersign it.

3. STACKING

At the time of sampling, cotton bales shall be stacked in such a way that at least one clear side of each bale is visible for inspection.

4. SAMPLING

- i. The Incharge, Cotton Procurement Centre shall arrange to draw 3% pacca samples weighing about 1-1½ kgs. per bale from 3 bales per lot of 100 bales or less. For sampling, the lot of 100 bales shall be divided proportionately into 3 parts, from bales Nos.1-33 one portion, bales Nos. 34-66 second portion and bales Nos. 67 to 100 third portion and one sample drawn from each portion for evaluation and for micronaire test before dispatch.
- ii. The responsibility of correct sample drawing will be of Incharge Cotton Procurement Centre. Samples will be drawn by Incharge Procurement Centre or his nominated official posted in the respective CPC. These samples will be handed over to Incharge CPC. The same will be entered in the register and coded and will be handed over to PCSI Classer after proper coding and his acknowledgement shall be obtained in the register.
- iii. The Classer(s) shall evaluate the cotton sample and submit report duly signed/stamped to Incharge CPC. The Classer shall preserve a reasonable portion of cotton in the shape of cotton roll and shall seal the roll under his and the Incharge CPC's signatures.
- iv. The sampling process shall be done with the assistance of Procurement Agent of the area who shall also be responsible for correct sampling.

5. WEIGHMENT

- i. The average bale net weight will be of 170 Kgs, with 3% plus/minus at maximum 8.5% moisture content.
- ii. Final weighment and quality verification of the lots purchased will be made at storage points of TCP. The results will be sent to Cotton Division which shall share them with the respective Procurement Centre. The final bills shall be prepared on the basis of final weight/quality.
- iii. The Incharge, Procurement Centre jointly with the Procurement Agent will be responsible for proper 10% Katla weighment at factory. They shall supervise Katla weighing of lots in each factory and indicate moisture content in percentage terms, Katla weight, actual tare, measurement and average bale weight on Katla weight report. Moisture content will also be shown on delivery certificate. Officer/official/representative supervising weighment/checking moisture will sign the Katla Weight Report and Delivery Certificate under his signature and stamp.

6. MARKING

- i. Prior to taking samples, the Incharge Cotton Procurement Centre will ensure that all bales are properly marked by the ginner with indelible black ink clearly indicating the Seller's Factory Name, Factory Lot Number, Press Serial Number, Bale Running Number, Crop Year, Station and TCP's Lot Number.
- ii. TCP will not take samples from the lots and will not buy the lots, which do not have legible and clear marking as specified above.
- iii. Cotton Division shall by surprise checks report compliance to Director concerned, TCP.

7. PACKING/WRAPPING OF COTTON BALES

- i. The Incharge procurement centre will ensure at the time of taking of delivery of cotton that all bales are fully pressed and wrapped with new hessian of 50" x 9 ozs./thick cotton cloth/kora latha weighing not less then one kg covering all six sides of the bale and bound with new steel hoops of ¾" width, gauge ranging from 18 to 20 mm.
- ii. The use of bale ties of galvanized wire of following specifications are also acceptable as a substitute of baling hoops for binding of cotton bales for packing:

- Dia	2.4 mm to 2.6 mm
- Breaking load	750 to 775 kgs. per bale tie



- Tensile strength 91.81 to 170 kg/m²
- Number of independent bale ties per bale 08

8. TCP LOT NUMBER

TCP Lot Numbers will be provided by the Cotton Division to all the CPCs. Duplication of TCP lot numbers must be strictly avoided. Cotton Division shall regularly report compliance to concerned Director.

9. DISPATCH

- i. After completion of all formalities i.e. sampling and katla weighment etc, the seller shall dispatch the cotton lots to TCP storage point(s) on receipt of Delivery Order (D.O) from Incharge, CPC.
- ii. Incharge, CPC and the Agent shall ensure dispatch of cotton bales lot-wise separately. If 200 bales are dispatched in one trailer, one lot of 100 bales must be properly stacked separately on the trailer and covered by separate tarpaulin to clearly identify the two lots in order to avoid intermixing of the lots.
- iii. Incharge, Procurement Centre/TCP's Procurement Agent at the time of weighment /dispatch must ensure that the bales being weighed are the sampled bales.
- iv. It shall be the responsibility of the Incharge CPC to ensure that only sampled and approved lots are dispatched after checking.
- v. GM Cotton will regularly and frequently counter check and immediately report discrepancies in writing to Director concerned.
- vi. The payment of above lots will be released after the confirmation of arrivals at TCP storage points.

10. DISPATCH ORDER

- i. A copy of Dispatch Order shall be sent along with truck carrying cotton for delivery.
- ii. The Dispatch Order addition to existing information in the, it shall invariably contain the Contract Number, Date of Contract and Price.
- iii. Dispatch Order shall be signed and stamped by the Incharge CPC or the officer authorized by the Incharge CPC.
- iv. Average of 10% *Katla* weighment report.
- v. Initial Evaluation Report.
- vi. Original Gate Pass issued by the ginner in the name of TCP should be serially numbered and should indicate the quantity of cotton bales as well as factory/TCP lot number along with Sale Tax Registration Number, Bilty Number and Registration Number of the vehicle.

11. PRICE

- i. The Ex-factory prices for acceptable quality (PCSI Grade BOX-III) will be communicated by Principal Office, TCP as per decisions/directions of the Federal Government. The price will be inclusive of pressing and packing charges, taxes and levies and labour and handling charges upto storage point of TCP.
- ii. In case of increase in prices, no enhancement in price will be allowed after signing of the contract, unless directed by the Government otherwise.

12. PAYMENT

- i. The ginner shall submit the bills/claims for payment directly to CPC, which shall process them without any unnecessary delay.
- ii. The Cotton ginning factory, after delivery of cotton at designated TCP warehouse, shall prepare claims/bills for *ad hoc* payment to the tune of 85 % of total amount/claim/price (as per Contract), on the basis of 4.5 maunds (167.96 Kgs) of cotton per bale or average of 10% 'Katla' weighment carried out at ginning factory by the CPC, whichever is lower.
- iii. The Incharge CPC shall strictly ensure that all the documents required for payment of cotton are verified, correct, duly signed, stamped and are attached with the bill.

- iv. Incharge CPC will certify that the bill/claim being forwarded/endorsed by him is as per terms and conditions of the contract signed with the seller, and it conforms with all specifications given in the contract including the Quality, Quantity, Packing, and Weight etc.
- v. The Incharge CPC shall authenticate the bills after his satisfaction that all formalities regarding sampling, evaluation, 10% Katla weightment have been carried out.
- vi. Incharge CPC, after authentication, shall countersign and endorse the bill and all enclosed documents and send to Cotton Division (Principal office Karachi) through registered/ courier service/fax (followed by courier) for further process.

13. DOCUMENTS REQUIRED FOR PAYMENT

Following Documents shall be invariably attached with bill/claim for payment, in the given order:

- i. This Check-list duly signed by Incharge CPCs.
- ii. Copy of Cotton Purchase Contract duly signed by Incharge CPC and the authorized representatives of the factory.
- iii. Availability Report of Seed Cotton of factory duly signed and stamped by Procurement Agent and Incharge CPC.
- iv. The Sample Drawing Slips, duly signed and stamped by the Incharge CPC and Procurement Agent.
- v. Initial Evaluation/Quality Report of drawn samples duly signed and stamped by the Classifier and countersigned by the Incharge CPC.
- vi. Certificate of Satisfaction duly signed and stamped by Procurement agent to the effect the he has personally ensured that the same lot has been/is being dispatched which was sampled and weighed for TCP.
- vii. Report of 10% average Katla Weighment signed & stamped by Incharge CPC and procurement Agent, and verified by seller/ginner.
- viii. Dispatch Order, duly signed and stamped by the Incharge CPC/officer authorized by Incharge CPC, containing, besides the existing information, the Contract Number(s), Date of Contract and Price.
- ix. Delivery Certificate
- x. Original Gate Pass issued by ginner in the name of TCP, shall be serially numbered and shall indicate the quantity of cotton bales as well as factory/TCP lot number along with Sale Tax Registration Number, Bilty Number and Registration Number of the vehicle.
- xi. Truck Receipt-Bilty (mentioning Truck #, Driver name & cell #, Quantity of loaded Bales, Weight, address of the loading mill and any other necessary information)
- xii. Godown receipt duly signed & stamped by Incharge TCP Godown at delivery point.
- xiii. Proof of NTN
- xiv. The valid license from the concerned Agriculture Department to operate ginning factory for 2014-2015.
- xv. The document/certificate ascertaining the type of organization i.e., sole proprietorship, partnership or limited Company with name of proprietor, partners and the Chief Executive, respectively, depending upon the type of organization.
- xvi. On the Letterhead of the seller, the name of party's representative duly authorized by the sole proprietor, all partners (for partnership) or the Chief Executive (in case of Limited Company), to deal with TCP.

14. COTTON DIVISION

- i. The Cotton Division TCP, after receiving reference from a CPC, shall process the bill(s) received, on Main File, after scrutiny of the documents and satisfying itself regarding satisfactory performance of processes in accordance with the contract and fulfillment of all codal formalities.
- ii. Cotton Division shall ensure that the proposed payment is based on Katla Weight or Weighbridge weight whichever is lower.
- iii. The file initiating official/officer in Cotton Division will move the reference/bill through proper channel i.e. AM, DM, Manager, Deputy General Manager and General Manager.
- iv. Each official/officer shall be responsible to place right and true facts on the file.

- v. Cotton Division shall only process the claims/bills for payment after it is fully satisfied on all accounts. The division shall certify on the note page that "all the required documents have been rechecked/verified".
- vi. That bill in question have been checked & found correct as per terms & conditions of the contract with the seller.
- vii. All codal formalities have been fulfilled.
- viii. Proposed payment is correct and up to entire satisfaction.
- ix. The bill is being processed for the first time and it has not been processed/forwarded/proposed/paid, at any earlier stage.
- x. Calculations have been as per received quantity at designated godowns as per SOP for weightment. And that
- xi. In view of aforementioned confirmations, payment is being proposed to the tune of Rs.-----
----- to M/s -----
- xii. After fully satisfying himself regarding all aspects of the bill/claim/proposed payment the GM/DGM Cotton Division shall endorse the file for pre-audit to General Manager Internal Audit Division, through File Tracking System (FTS)

15. INTERNAL AUDIT DIVISION

- i. Internal Audit Division shall conduct pre-audit and examine the claims/bills for payment in the light of SOPs for payment and ensure that required documents are attached, quality and quantity is as per specification of contract.
- ii. In case of any query(ies) and/or observation(s), Internal Audit Division will send reference/bill to concerned Division with observation(s).
- iii. After fully satisfying himself regarding all aspects of the bill/claim/proposed payment the GM Internal Audit Division shall endorse the file through FTS to Company Secretary for approval of ECM in the light existing Delegation of Powers.

16. EXECUTIVE COMMITTEE OF MANAGEMENT (ECM)

- i. ECM will accord approval to the proposed payment after having seen endorsement by CPC, verifications by the Cotton Division, and confirmation of fulfillment of all the codal formalities by IAD.
- ii. After approval of ECM, Company Secretary shall send the file through FTS to Accounts Division for further necessary action

17. ACCOUNTS DIVISION

- i. Accounts Division shall further thoroughly examine/check the each file/claim/bill for payment, in the light terms and conditions of the contract, all codal requirements, SOPs contractual/procurement payments, IAD's endorsement and the approval of Competent Authority, etc.
- ii. In case of any query (ies) or observation(s), Accounts Division will send file to the concerned Division with observation(s) for clarification
- iii. In case of full satisfaction, Accounts Division will prepare, sign and authorize the Disbursing Voucher (DV) after getting Disbursement approval of Director Finance.
- iv. After proper approval, Accounts Division shall send file to Cash section for online payment to the party.

18. FINANCE DIVISION

- i. After payment, Cheque Section/ Cash Section will keep DVs with itself for record, reconciliation, post-audit or for any other purpose.
- ii. Cash Section shall arrange the proper and safe keeping of record i.e. Disbursement Vouchers / Journal Vouchers, and all other kind of vouchers along with copy of their approval, same will be bound properly on weekly basis.
- iii. After payment, cash section shall send file through FTS to the Cotton Division for further transmission to Godown Division enabling the latter to prepare itself for making final (15%) payment to the part, as per SOP.



SOP

19. FINAL PAYMENT

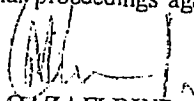
- i. Balance 15% payment shall be made within 30 days after completion of 100% weighment and final assessment of quality at TCP's warehouse and on presentation of bills and after making the other deductions/discounts on account of weight and quality, if applicable.

20. HR ADMN DIVISION shall arrange scanning of the relevant record related to Cotton Procurement within a week of the Final payment.

21. MISCELLENEOUS

The Incharge Cotton Procurement Centre will also ensure that:-

- i. The valid license from the concerned Agriculture Department to operate ginning factory for 2014-2015 seasons will be seen by the Incharge Cotton Procurement Centre. Copy of valid license of the ginning factory will be obtained and kept in the record of Cotton Procurement Centre and copy of the same must be sent to Cotton Division Karachi.
- ii. Incharge CPC/ Incharge Godown shall ensure that Scales, weighbridges are calibrated by competent authorities.
- iii. before executing purchase contract, Incharge CPC concerned should invariably ascertain the type of organization (sole proprietor-ship, partnership or limited company) and to give the name of proprietor, partners and the chief executive depending upon the type of organization respectively. the name of party's representative deputed to deal with TCP should be duly authorized by the sole proprietor, all partners (for partnership) or the chief executive (in case of limited company), the laid down procedure should be strictly followed and it must be ensured that letter of disclaimer, party's delivery order/gate pass are obtained and all details like tcp lot number, name & address of seller, factory, station and crop year are mentioned in relevant documents.
- iv. In case of contract being made with factory taken on lease, the valid license and the lease agreement will be seen and copies obtained from record by the Incharge Cotton Procurement Centre before entering into contract.
- v. If the cotton being tendered is considered lower than contracted grade at TCP warehouse, the matter will be immediately reported to the Incharge CPC and final payment will be made as per contract.
- vi. Incharge CPC will communicate zone-wise prevailing rates of phutti, lint, cotton seed and oil cake etc. on daily basis with the assistance of Cotton Procurement Agent without fail through Daily Operation Report (D.O.R) to Dy. General Manager (Cotton)/G.M. (Cotton) by telefax or telephonically followed by written confirmation. The position of contracted quantity, paid for quantity and dispatches to TCP warehouses will also be mentioned in DOR.
- vii. Incharge CPC will be responsible for monitoring and supervising on day to day basis the activities of Cotton Procurement Agents of their area as per duties and responsibilities of Cotton Procurement Agents already notified and sent to them.
- viii. The Incharge CPC will ensure that all periodical market reports are sent regularly on due dates without any fail.
- ix. Cotton Division shall develop and convey profarma for reporting on daily basis the requests/information of cotton received, each contract signed (with details of ginning factory as name, ownership, NTN, location, contact details and quantity etc).
- x. Cotton Division shall submit compiled reports about all CPCs to ECM on weekly basis and to Director concerned on daily basis.
- xi. All other standing instructions not contained herein should be complied in letter and spirit.
- xii. Nothing contained above or anywhere else shall absolve the GM Cotton/ DGM Cotton, Incharge CPC, Cotton Classer and Procurement Agent of their official duty and responsibility.
- xiii. Any act of omission or commission, any mal practice, mal administration or mala fide activity shall be severely punished including disciplinary and criminal proceedings against the delinquent officer/official/ private individual/ contractor etc.


QAZAFI RIND
Company Secretary