

महाराष्ट्र MAHARASHTRA ◐ 2023 ◐ CK 453978

प्रधान मुद्रांक कार्यालय, मुंबई.
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FINAL ARBITRAL AWARD

BEFORE THE ARBITRAL TRIBUNAL

Sri Kankipati Vijaya Bhasker **Sole Arbitrator**

In the matter of Arbitration of

Arbitration Matter No. MCXCCL/ GRD/ ARB-02/ 2023-24

Between

M/s Ramanuj Cotton Corporation .....Claimant

and

M/s Yamada Logistics Limited .....Respondent

This Award is made at Hyderabad, Telangana, India, on 5th April 2024, in relation to the Dispute between the Claimant and the Respondent.

INDEX

Introduction.....3

Dispute Resolution Provision In The Contract.....4

Initiation Of Arbitration And Constitution Of The Tribunal.....5

Governing Law And Seat Of Arbitration.....6

Procedure.....6

Claims Of The Claimant.....8

Defense Of The Respondent.....9

Counter Claims Of The Respondent.....9

Analysis By The Arbitral Tribunal.....10

Award.....14

Miscellaneous.....14

INTRODUCTION

1. These proceedings arise under an Arbitration dispute in relation to a Contract for cotton storage for the cotton season 2021-22 between Ramanuj Cotton Corporation, Aurangabad, Maharashtra (hereinafter referred to as "Claimant") and Yamada Logistics Limited, Indore, Madhya Pradesh (hereinafter referred to as "Respondent"). The Claimant and the Respondent are jointly referred to as the "Parties".

2. It is stated that the Claimant is a market participant, registered with MCXCCL as status **Constituent**. The particulars of the Claimant are noted below:

   Ramanuj Cotton Corporation

   H-40, Satyam Nagar, CIDCO

   Aurangabad, Maharashtra – 431 001

3. The authorised representatives of the Claimant in these proceedings are noted below:

   Mr. Shubham Jain

   Mr Durgesh Paliwal

4. It is stated that the Respondent is registered with MCXCCL as status WSP (warehouse service provider). The particulars of the Respondent are noted below:

   Yamada Logistics Limited

   13-B, Sector A, Industrial Area

   Sanwer Road, Indore, Madhya Pradesh 452 015

5. The authorised representatives of the Respondent in these proceedings are noted below:

Mr. Kanhaiya Nand Jha

Mr. Naveen Mukati

6. Necessary authorisation letters and the identity proofs have been submitted by the representatives of both parties to MCXCCL.

7. It is stated that the parties have entered into the cotton storage transactions for the cotton season 2021-22. During the course of the transactions between the parties, there arose some disputes, which were stated to have been referred as per the applicable Arbitration mechanism and the Arbitral Tribunal has been constituted.

8. The details of the Arbitral Tribunal that comprised of the Sole Arbitrator in this case are noted below:

Mr. Kankipati Vijaya Bhasker
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DISPUTE RESOLUTION PROVISION IN THE CONTRACT

The relevant bye-laws and rules of the Clearing Corporation, are issued through its circulars for "**Grievance Redressal Mechanism**" MCX

Circular No. MCX/MCXCCL/716/2019 & MCXCCL Circular No. MCXCCL/ISD/295/2019 dt 19th December 2019; and "**Arbitration Mechanism**" MCX Circular No.: MCX/MCXCCL/395/2020 & MCXCCL Circular No. MCXCCL/ISD/124/2020 dt 4th June 2020.

The "**Arbitration Mechanism**" circular states thus "*In terms of the provisions of the Bye-Laws, Rules and Regulation of the Clearing Corporation, the market participants are hereby notified that the Clearing Corporation has provided for Arbitration Mechanism to deal with all claims, differences and disputes between Clearing Members and Constituents or between warehouse service provider and constituent arising out of or related to deals admitted for clearing and settlement by the Clearing Corporation. The procedure for Arbitration Mechanism at Clearing Corporation is detailed in Annexure A*".

INITIATION OF ARBITRATION AND CONSTITUTION OF THE TRIBUNAL

9. It is stated by the Clearing Corporation, in its letter MCXCCL/ GRD/ ARB-02/ 2023-24 dated 17th Jan 2024, that they have received an arbitration application filed by the Claimant against the Respondent under the bye-laws and rules of the Clearing Corporation; and assigned the matter to the Sole Arbitrator (an empanelled Arbitrator of MCX) through automatic mechanism in accordance with the Rules, Byelaws and circulars.

10. The acceptance of the Sole Arbitrator together with necessary disclosures under Section 12 of the Arbitration and Conciliation Act

1996, was conveyed on 19th Jan 2024, when the Arbitral Tribunal is deemed to have taken reference.

GOVERNING LAW AND SEAT OF ARBITRATION

11. The substantive law for the time being in force in India is the Governing law under Section 28 (a) of the Arbitration and Conciliation Act 1996.

12. The Rules, Byelaws and circulars of MCXCCL are applicable for the procedure to be followed in arbitration. As per these rules, the Courts in Mumbai shall have exclusive jurisdiction in respect of all proceedings to which MCXCCL is a party irrespective of the location of constituent / member / Warehouse Service Provider. Further, the arbitration and appellate arbitration shall be conducted at the Regional Arbitration Centre (RAC) nearest to the constituent, which is Mumbai in the instant matter.

PROCEDURE

13. The first procedural meeting was conducted on 25th Jan 2024 which was participated by both the parties and the officials of MCXCCL.

14. In their letter of 17th Jan 2024, the Clearing Corporation had furnished the documents submitted by both the parties while applying for arbitration. Neverthless the parties have been given an opportunity to submit their pleadings, before the date of next hearing, which was fixed for 12th Feb 2024.

15. The arbitral proceedings were conducted on the following dates and the directions were issued through Arbitral Tribunal documents.

Date	Document
25th Jan 2024	AT Doc No. 1
12th Feb 2024	AT Doc No. 2
21st Feb 2024	AT Doc No. 3
23rd Mar 2024	AT Doc No. 4

16. The following documents were submitted by the Claimant:

S No.	Particulars	Pages Nos.
1.	Statement of Case: Brief description of the case history of case which will help the arbitrator to understand the entire case and further process	1
2.	Form No. I: Application for arbitration	2-4
3.	Form No. II: For providing arbitrator preference in descending order	5
4.	Authority letter of authorised person	6
5.	Not used	
6.	Undertaking by authorised person	7
7.	Name of the partners (profit/ loss sharing percentage)	8
8.	Copy of Complaint registration form submitting while appearing before the GRC member	9-11
9.	Ramanuj Cotton Corporation & Yamada Logistics Ledger	12-16

10.	Related Circular this matter	17-20
11.	Weight loss gain working sheet according to the lot number we received from Yamada Logistics	21-23
12.	Weight gain loss invoices received from Yamada Logistics	24-44
13.	GRC Order dated 17-07-2023	45-48

17. The following documents were submitted by the Respondent:

S No.	Particulars	Pages Nos.
1.	Form No. II	1
2.	Form No. III	2-3
3.	Statement of defence	4
4.	GRC minutes of the proceedings	5-8
5.	Letter from Ramanuj Cotton Corporation	9
6.	MCXCCL circular of cotton bales	10-20
7.	Mail communication with Ramanuj Cotton Corporation	21-37
8.	Account ledger Ramanuj Cotton Corporation	38-39
9.	Copies of relevant invoices	40-61
10.	Copies of relevant delivery challans	62-78
11.	Board resolution of authorised person	79
12.	Shareholding pattern	80

CLAIMS OF THE CLAIMANT

18. The claim of the claimant is that they have worked with the Respondent for cotton season 2021-22 in which their stock had crossed fed date (Final Expiry Date). But after crossing the FED date the entire responsibility lies with the client and not with the WSP as per MCXCCL circular so accordingly weight gain loss comes in client account. WSP has not given and intimation about any new circular and neither it has followed the new circular. WSP charged total gain amount of Rs 14,55,910/- and loss amount of Rs 1,61,495/- net total gain loss amount Rs 12,94,415/- and hence the claim.

DEFENSE OF THE RESPONDENT

19. The defence of the Respondent is that they have reminded the claimant to lift the stock after the FED through various communications, but the claimant did not lift. Whenerver there is a loss or gain the transactions were carried out appropriately for which ledger and invoices have been submitted. The Claimant had accepted the transactions during the course of transactions, but complained after completion of transactions.

COUNTER CLAIMS OF THE RESPONDENT

20. The Respondent stated about their losses because of non-lifting of goods after FED, like warehouse charges, manpower charges etc. of more than Rs 45 Lakhs but they neither made any explicit counter claim, nor pleaded for that during the oral hearings.

ANALYSIS BY THE ARBITRAL TRIBUNAL

21. Warehousing or Storage infrastructure and its ancillary services play a critical role in the delivery mechanism of the Commodity Derivatives Market. Regulation 43A of Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 ("SECC Regulations") provides, inter-alia, that every recognized Clearing Corporation providing clearing and settlement services for commodity derivatives shall ensure guarantee for settlement of trades including good delivery. To fulfil this obligation, the Clearing Corporations are required to ensure that their accredited storage facilities exercise due diligence for safety and quality of the goods deposited with them for the purpose of delivery on exchange platform.

22. The Multi Commodity Exchange of India Limited (MCX), which operates under the regulatory framework of Securities and Exchange Board of India (SEBI), is a commodity derivatives exchange that facilitates online trading of commodity derivatives transactions, thereby providing a platform for price discovery and risk management. MCX offers trading in commodity derivative contracts across varied segments including bullion, industrial metals, energy and agricultural commodities, as also on indices constituted from these contracts.

23. Multi Commodity Exchange Clearing Corporation Limited (MCXCCL), which is a wholly-owned subsidiary of MCX, has a statutory recognition of Securities and Exchange Board of India for providing Clearing and Settlement services to MCX. MCXCCL

facilitates deliveries in various commodities across multiple locations in India. MCXCCL provides collateral management and risk management services, along with clearing and settlement of trades executed on the Exchange. MCXCCL is the central counterparty for all trades executed on MCX's trading platform, and provides Electronic Commodity Accounting and Receipts Tracking System through a designated web based portal 'Commodity Receipts Information Systems' (COMRIS); and provides settlement guarantee to all trades executed on MCX via its Settlement Guarantee Fund (SGF). MCXCCL operates a settlement cycle and ensures no deviations or deferments from this cycle. MCXCCL collects margin from the members, effect pay-in and pay-out and oversee delivery and settlement process.

24. MCXCCL offers empanelment of Warehouse Service Providers (WSPs) having capability of proper handling and storage of commodities. The empanelled WSPs should be able to provide warehouses as and when required by MCXCCL for undertaking storage of various commodities traded and delivered on the Exchange platform. The empanelled WSPs will enter into a Master Service Agreement as prescribed by the MCXCCL. The compliance of terms and conditions laid down by MCXCCL is an essential condition of grant of approval for empanelment. WSP will be bound by all the directives issued by the Regulator and MCXCCL from time to time.

25. The beneficiary depositor shall submit duly filled Know Your Depositor ("KYD") form & Depositor Transaction Declaration

("DTD") form before depositing goods and shall also ensure appropriate due diligence and comply with all the relevant laws/ regulations of statutory authorities and best practices for depositing. The beneficiary depositor declares through DTD that he/ she shall abide by various central/state laws including Tax laws, and other Acts, Rules, Regulations, notification/orders and guidelines applicable to the said goods and as in force from time to time.

26. The transactions are bound by the various rules, regulations, circulars issued by the Clearing Corporation in accordance with the legal/ statutory framework.

27. In the instant case, the procedure for deposit of cotton bales at MCXCCL accredited warehouses is governed by the circular MCX Circular No. MCX/ MCXCCL/ 594/ 2022; MCXCCL Circular No. MCXCCL/ WHL/ 222/ 2022 dated 14th Oct 2022. The said circular section L and stated their position that "The Client/ Stockholder can take out the cotton bales from the warehouse on or before Final Expiry Date (FED). After the FED, the goods in the MAW shall necessarily be removed. Storage of goods MCXCCL accredited warehouse(s) after the specified FED is not permitted and therefore Members/ Participants shall ensure goods whose final expiry date is over, are removed within 1 month from FED from the concerned warehouse date of the specified FED. In case the client does not withdraw his stock within 1 month from the date FED, the WSP shall apply penalty in accordance with MCXCCL guidelines. Accordingly, Members/ Participants involved in such deposits shall solely remain liable/ responsible for such deposits. MCXCCL shall

not be responsible in any manner in any manner whatsoever for those goods which have crossed the FED. Such goods shall be treated as per the regulation/ policy of WDRA /relevant central/state authority for warehouse.

28. The session for arbitration proceedings of 23rd March 2024 was specially called by the Arbitral Tribunal to provide an opportunity to the parties to plead their case and stand on the above stated circular of MCXCCL. During the proceedings, the Claimant started asking MCXCCL as where they should approach with their claim, in such case where their goods crossed FED. MCXCCL stated that they should approach Warehousing Development and Regulatory Authority (WRDA). The Claimant still pleaded that, as per them, their claim is to be resolved in the present arbitration.

29. However, the Arbitral Tribunal rules that as per the provision of MCX Circular No. MCX/ MCXCCL/ 594/ 2022; MCXCCL Circular No. MCXCCL/ WHL/ 222/ 2022 dated 14th Oct 2022, which is binding on the parties using the platform for their transaction, any of their grievances or complaints arising in the event of goods crossing Final Expiry Date on MCXCCL, do not fall within the purview of the "Grievance Redressal Mechanism" or the "Arbitration Mechanism" of the Clearing Corporation.

30. The Arbitral Tribunal therefore makes the following award in the respect of the matter **MCXCCL/ GRD/ ARB-02/ 2023-24**

AWARD

31. The Arbitral Tribunal rules, under Section 16 of the Arbitration and Conciliation Act, 1996 on its jurisdiction that this Arbitral Tribunal constituted as per the provisions of the "Arbitration Mechanism" under the Clearing Corporation rules, byelaws has no jurisdiction in the instant matter of disputes raised by the Claimant.

MISCELLANEOUS

32. The original award drawn on the stamp paper is being issued which shall be retained by the Clearing Corporation and the two signed copies issued thereof shall be delivered to the parties by the Clearing Corporation.

33. This Arbitral Award is passed on this the 5th day of April 2024, at Hyderabad, Telangana, India.

Place: Hyderabad, Telangana, India
Date: 5th April 2024



Kankipati Vijaya Bhasker
Sole Arbitrator

AMENDMENT TO FINAL ARBITRAL AWARD

BEFORE THE ARBITRAL TRIBUNAL

Comprising Of

Sri Kankipati Vijaya Bhasker Sole Arbitrator

In the matter of Arbitration of

Arbitration Matter No. MCXCCL/ GRD/ ARB-02/ 2023-24

Between

M/s Ramanuj Cotton Corporation .....Claimant

and

M/s Yamada Logistics Limited .....Respondent

1. The proceedings under the Arbitration in relation to the disputes under a Contract for cotton storage for the cotton season 2021-22 between the referred Parties were conducted and the award was published on 5th April 2024.

2. The Respondent through its letter dated 26th April 2024 made an application under S 33 of the Arbitration and Conciliation Act, 1996 seeking certain amendment.

3. The Arbitral Tribunal considered the application of the Respondent for amendment

ARBITRATOR
Kankipati Vijaya Bhasker
Kanvasa HIG-85, Phase-5, K.P.H.B.,
HYDERABAD-500 072

4. The request raised by the Respondent qualifies under S 33 (1) (a) of the Arbitration and Conciliation Act, 1996 to be "computation errors, any clerical or typographical errors or any other errors of a similar nature occurring in the award". The applying party raised the request for correction of such error, with a notice to the other party, within the period admissible as per the Act.

5. The Arbitral Tribunal is issuing this Amendment for the necessary corrections to the clerical or typographical errors or any other errors of a similar nature occurring in the award

AMENDMENT

6. The starting para at page 1 of the Final Award is amended to read as follows:

   The wording "This Award is made at Hyderabad, Telangana, India, on 5th April 2024, in relation to the Dispute between the Claimant and the Respondent" is deleted.

   The following text is added in the deleted position

   "This Award made on 5th April 2024, shall be deemed in all respects to be subject to the Rules, Bye-laws and Regulations of the Clearing Corporation and shall be deemed to be and shall take effect as wholly made, entered into and to be performed in the city of Mumbai. The arbitration conducted through virtual mode shall be deemed to have been conducted at the Regional Arbitration Centre (RAC) at Mumbai".

ARBITRATOR
Kankipati Vijaya Bhasker
Kanvasa HIG-85, Phase-5, K.P.H.B.,
HYDERABAD-500 072.

7. All other parts of the Final Award published on 5th April 2024 remain unaltered.

8. The original amendment of the final award is being issued which shall be retained by the Clearing Corporation and the two signed copies issued thereof shall be delivered to the parties by the Clearing Corporation.

Date: 02 May 2024

Vijaya Bhasker Kankipati

Sole Arbitrator

ARBITRATOR
Kankipati Vijaya Bhasker
Kanvasa HIG-85, Phase-5, K.P.H.B.,
HYDERABAD-500 072.