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The contents of this product note are subject to Rules, Byelaws and Regulations of NCDEX as in force from time to time and be read therewith.

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## **CHAPTER 1 - TRADING PARAMETERS**

### **Authority**

Trading of Silver futures may be conducted under such terms and conditions as specified in the Rules, Byelaws & Regulations and directions of the Exchange issued from time to time. A specimen of Silver futures contract specification is indicated in **Exhibit 1**.

### **Unit of Trading**

The unit of trading shall be 30 Kg. Bids and offers may be accepted in lots of 30 kgs. or multiples thereof.

### **Months Traded In**

Trading in Silver 30 Kgs. futures may be conducted in the months as specified by the Exchange from time to time.

### **Tick Size**

The tick size of the price of Silver 30 Kgs. shall be Re. 1

### **Basis Price**

The basis price of Silver 30 Kgs. shall be Ex-Ahmedabad inclusive of Customs Duty, exclusive of local sales tax/VAT/Octroi.

### **Unit for Price Quotation**

The unit of price quotation for Silver 30 Kg contracts shall be in Rupees per kg of Silver with 999 fineness.

### **Hours of Trading**

The hours of trading for futures in Silver shall be as follows:

- Mondays through Fridays – 10.00 AM to 11.30 PM\*
- Saturdays – 10.00 AM to 02.00 PM

\*Please note that during US daylight saving timings, the trade timings from Monday through Fridays would be from 10 A.M. to 11.55 P.M.

Or as determined by the Exchange from time to time. All timings are as per Indian Standard Timings (IST)

### **Last Day of Trading**

Last day of trading shall be Last trading day of the contract delivery month, if last day happens to be a holiday, Sunday or a Saturday, then the previous working day of the Exchange.

### **Mark to Market**

The outstanding positions in futures contract in Silver 30 Kgs. would be marked to market daily based on the Daily Settlement Price (DSP) as determined by the Exchange.

### **Position limits**

At the commodity level, the member-wise position limit will be a maximum of 150 MT or 15% of market-wide open position whichever is higher. The Client-wise position limit will be a maximum of 50 MT. Both position limits will be subject to NCDEX Regulations and

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directions from time to time. The above position limits will not apply to bona fide hedgers as determined by the Exchange.

The above limits will not apply to bonafide hedgers. For bonafide hedgers the Exchange will decide the limits on a case-to-case basis

#### **Margin Requirements**

NCDEX will use Value at Risk (VaR) based margin calculated at 99% confidence interval for one day time horizon. NCDEX reserves the right to change, reduce or levy any additional margins including any mark up margin.

#### **Special Margin**

In case of additional volatility, a special margin of at such other percentage, as deemed fit by the Regulator/ Exchange, may be imposed immediately on either the buy or the sell side in respect of all outstanding positions. Removal of such margins will be at the discretion of the Regulator/Exchange.

#### **Additional Margin**

In addition to the above margins the Regulator/Exchange may impose additional margins on both long and short side at such other percentage, as deemed fit. Removal of such Margins will be at the discretion of the Regulator/Exchange.

#### **Delivery Margins**

In case of open positions materializing into physical delivery, delivery margins as may be determined by the Exchange from time to time will be charged. The delivery margins will be calculated based on the number of days required for completing the physical delivery settlement (the look-ahead period and the risks arising thereof).

#### **Arbitration**

Disputes between the members of the Exchange inter-se and between members and constituents, arising out of or pertaining to trades done on NCDEX shall be settled through arbitration. The arbitration proceedings and appointment of arbitrators shall be as governed by the Bye-laws and Regulations of the Exchange.

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## **CHAPTER 2 - DELIVERY PROCEDURES**

### **Unit of Delivery**

The unit of delivery for Silver shall be 30 Kg

### **Delivery Size**

Delivery is to be offered and accepted in lots of 30 kgs Net only or multiples thereof. A quantity variation of +/- 10% at the bar level is permitted as per contract specification.

### **Delivery Requests**

The procedure for Silver delivery is based on the contract specifications as per **Exhibit 1**. Sellers & Buyers having open positions are required to give their intention/notice to deliver to the extent of his open position, at least 3 days before the expiry of the contract. Accordingly, the window for acceptance of delivery requests will be open for 3 working days. The window will close 3 days prior to the expiry date of the contract. Members giving delivery requests for the commodities are not permitted to square off their open positions. A penalty of 5% of final settlement price on the position squared off will be levied on the Members violating the same.

NCDEX would thereafter complete the matching process based on the location and by random, keeping in view the storage capacity of warehouse and Silver already deposited / dematerialized for delivery or any other factor(s) that the Exchange deems appropriate for completion of the matching process.

All open positions of those sellers who do not provide required information for physical delivery or are unable to find a corresponding buyer as with similar intention shall be settled in cash.

### **Delivery Allocation**

The Exchange would then compile delivery requests received from members on the last trading day, as specified in Chapter 1 above. The buyers / sellers who have to receive / give delivery would be notified on the same day after the close of trading hours. Delivery of SILVER is to be accepted by buyers at the accredited warehouse where the seller effects delivery in accordance with the contract specifications.

### **Actual Delivery**

Where Silver is sold for delivery in a specified month, the seller must have requisite electronic credit of such Silver holding in his Clearing Member's Pool Account before the scheduled date of pay in. On settlement the buyer's Clearing Member's Pool Account would be credited with the said delivery quantity on pay out. The Clearing Member is expected to transfer the same to the buyer's depository account.

**Silver certified from any approved refiners specified by the Exchange on the Settlement day is accepted as good delivery on the Exchange.**

The list of approved refiners by NCDEX is available on [www.ncdex.com/downloads/refiners\\_silver.pdf](http://www.ncdex.com/downloads/refiners_silver.pdf)

### **Accredited Warehouse**

NCDEX has accredited warehouses for receipt and delivery of Silver. Silver will be received and delivered only from the NCDEX accredited warehouse. The details of the NCDEX accredited warehouses are as per **Exhibit 2**.

### **Quality Standards**

The contract quality for delivery of Silver futures contracts made under NCDEX Regulations shall be silver conforming to the quality specification indicated in the contract. No lower grade/quality shall be accepted in satisfaction of futures contracts for delivery except as and to the extent provided in the contract specifications. Delivery of higher grade would be accepted without premium.

### **Packaging**

Silver should be delivered in 30 kg bar net basis only, subject to allowable variation as per Exhibit I.

### **Standard Allowances**

No allowance will be allowed on account of sample testing.

### **Weight**

The quantity of Silver received and or delivered at the NCDEX designated vault would be determined / calculated by the weight together with serial number as indicated in the enclosed Refinery certificate submitted at the time of delivery into the designated vault and would be binding on all parties.

### **Good / Bad delivery Norms**

Silver delivery into NCDEX designated Warehouse would constitute good delivery or bad delivery based on the good / bad delivery norms as per **Exhibit 3**. The list contained in Exhibit 3 is only illustrative and not exhaustive. NCDEX would from time to time review and update the good / bad delivery norms retaining the trade / industry practices.

### **Quality Testing Report**

Silver delivered into the NCDEX designated Vault must be accompanied with the certificate from the Exchange approved refinery.

### **Testing Procedure**

The silver bars to be accepted at the designated vault shall be directly imported and hallmarked from the approved list of refiners, through the approved logistic agency i.e. Brinks Arya India (Pvt.) Ltd. or their affiliates / associates. The silver bars delivered at the Exchange designated vault, indicated in Exhibit 2, should bear the refinery serial no. and accompanied with the Refinery certificate. Silver held at the NCDEX approved vaults will be on an un-allocated basis i.e. it will be co-mingled with those silver bars pertaining to the participants of NCDEX.

### **Validity period**

The validity period of the Assayer's Certificate for Silver is till the withdrawal from the warehouse.

### **Electronic transfer**

Any buyer or seller receiving and or effecting Silver would have to open a depository account with an NCDEX empanelled Depository Participant (DP) to hold the Silver in electronic form. On settlement, the buyer's account with the DP would be credited with the

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quantity of Silver received and the corresponding seller's account would be debited. The Buyer wanting to take physical delivery of the Silver holding has to make a request in prescribed form to his DP with whom depository account has been opened. The DP would route the request to the warehouse for issue of the physical commodity i.e. Silver to the buyer and debit his account, thus reducing the electronic balance to the extent of Silver so rematerialized.

#### **Charges**

All charges and costs payable at the designated warehouse towards delivery of Silver including sampling, grading, weighing, handling charges, storage etc. from the date of receipt into designated warehouse upto date of pay in & settlement shall be paid by the seller.

No refund for warehouse charges paid by the seller for full validity period shall be given to the seller or buyer for delivery earlier than the validity period.

All charges and costs associated & including storage, handling etc. after the pay out shall be borne by the buyer. Warehouse storage charges will be charged to the member / client by the respective Depository Participant.

#### **Duties & levies**

All duties, levies etc. up to the point of sale will have to be fully borne by the seller and shall be paid to the concerned authority. All related documentation should be completed before delivery of Silver into the NCDEX accredited warehouse.

#### **Stamp Duty**

Stamp duty is payable on all contract notes issued as may be applicable in the State from where the contract note is issued or State in which such contract note is received by the client.

#### **Taxes**

##### **Service tax**

Service tax will be payable by the members of Commodity Exchanges on the gross amount charged by them from their clients on account of dealing in commodities.

##### **Sales Tax / VAT**

Local taxes/ VAT wherever applicable is to be paid by the seller to the sales tax/VAT authorities on all contracts resulting in delivery. Accordingly the buyer will have to pay the taxes/VAT to the seller at the time of settlement. Members and / or their constituents requiring to receive or deliver Silver should register with the relevant tax/VAT authorities of the place where the delivery is proposed to be received / given. In the event of sales tax exemption, such exemption certificate should be submitted before settlement of the obligation. There will be no exemptions on account of resale or second sale in VAT regime.

#### **Premium / Discount**

Premium & Discount on the Silver delivered will be provided by the Exchange on the basis of quality specifications:

The Exchange will communicate the premium / discounts amount applicable. Such amount will be adjusted to the members account through the supplementary settlement. Currently, there is no premium/discount for Silver.

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## **CHAPTER 3 - CLEARING AND SETTLEMENT**

### **Daily Settlement**

All open positions of a futures contract would be settled daily based on the Daily Settlement Price (DSP).

### **Daily Settlement Prices**

The Daily Settlement Price (DSP) will be as disseminated by the Exchange at the end of every trading day. The DSP will be reckoned for marking to market all open positions.

### **Final Settlement Prices**

The Final settlement price will be calculated on the last trading day based on International spot price at RBI reference rate. The detailed calculation is as illustrated below :

- 1) International spot price will be added by 5 cent as bank premium and then will be multiplied by 32.1507425 for calculating the INR equivalent of per Kg price from per ounce price. This is the price of 1 Kg of Silver in US\$ of 0.999 purity.
- 2) Price arrived after step 1 will be multiplied by RBI reference rate on the day of expiry. This gives the price of 1 Kg Silver of 0.999 purity equivalent in INR duty unpaid.
- 3) Price arrived after step 2 will be added by applicable customs duty on 1 Kg Silver (currently Rs 510)
- 4) The price arrived after step 3 is rounded-off to nearest rupee.

The open positions for which information have been provided for and have been matched by the Exchange, would result in physical delivery.

### **Spot Prices**

NCDEX will announce / disseminate spot prices for Silver relating to the designated delivery center and specified grade/ quality parameters determined through the process of polling a set of market participants representing different segments of the value chain.

The polled prices shall be input to a normalizing algorithm (like 'bootstrapping' technique) to arrive at a representative, unbiased and clean 'benchmark' spot price for Silver. The security of data and randomness of polling process will ensure transparency and correctness of prices. The Exchange has absolute right to modify the process of determination of spot prices at any time without notice.

### **Dissemination of Spot Prices**

Spot prices for Silver will be disseminated on daily basis.

### **Pay in and Pay out for Daily Settlement / Final Settlement**

For Silver the daily settlements will be as per the table illustrated below. As the FSP will be declared only on E+1 day the contract will be initially settled on E+1 using the Daily Settlement Price. Subsequently on E+2 after the declaration of FSP the difference between the FSP and the DSP will be settled. The buyer clients would have to deposit requisite funds with their respective Clearing Member before "pay in" on both the days.

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Example : For a contract is expiring on 30th of a particular month (i.e. on E), the FSP will be available on the subsequent trading day (i.e.01st of the next month or E+1).

The process of settlement will be done as follows:

The Trading would be done on the expiring contract till the 30th of the month (i.e. E day). The MTM Settlement will be done on the 30th at the Daily Settlement Price for the contract. The actual funds settlement would be done on 01st of the next month (i.e. on E+1). The Final Settlement will be done with respect to the difference between Daily Settlement Price and Final Settlement Price as declared by the Exchange on 01st of the next month (i.e.E+1). The Final funds pay in pay-out will be done on the 2nd of the month (i.e. E+2).

All fund debits and credits for Daily Settlement of the Member would be done in the Member's Settlement Account with the Clearing bank.

<b>Time (T/E+1)</b>	<b>Activity</b>
On or before 11.00 hrs	PAYIN - Debit paying member a/c for funds
After 13.00 hrs	PAYOUT – Credit receiving member a/c for funds

The table below illustrates timings for pay in and pay out in case of cash settlement. All fund debits and credits for difference of Daily Settlement Price and Final Settlement Price would be done in the Member's Settlement Account with the clearing Bank

<b>Time (T/E+1)</b>	<b>Activity</b>
On or before 11.00 hrs	PAYIN - Debit paying member a/c for funds
After 13.00 hrs	PAYOUT – Credit receiving member a/c for funds

**Pay in and Pay out for final physical settlement**

The table below illustrates timings for pay in and pay out in case of physical settlement. The buyers / sellers would have to deposit requisite funds / Silver with their respective Clearing member before "pay in".

<b>Pay in and Pay out for Final Settlement in case of physical deliveries</b>	
<b>Time (E+3)</b>	<b>Activity</b>
On or before 12.00 hrs	PAYIN <ul style="list-style-type: none"> <li>- Debit Buyer Member Settlement a/c for funds</li> <li>- Debit Seller Member's CM Pool Account for Silver</li> </ul>
After 14.30 hrs	PAYOUT <ul style="list-style-type: none"> <li>- Credit Seller Member Settlement a/c for funds</li> <li>- Credit Buyer Member's CM Pool Account for Silver</li> </ul>



Additionally the supplemental settlement for Silver International futures contracts for premium / discount adjustments relating to quality of Silver delivered, actual quantity delivered and close out for shortages, will also be conducted on the same day. Clearing Members are required to maintain adequate fund balances in their respective accounts.

Pay in and Pay out for supplemental settlement	
<b>Time (E + 3)</b>	<b>Activity</b>
On or before 15.00 hours	PAY IN - Debit Member Settlement a/c for funds
After 15.00 hours	PAY OUT – Credit Member Settlement a/c for funds

**Supplementary Settlement for Taxes**

The Exchange will conduct a separate supplementary settlement, as illustrated below, three days after normal pay out for completion of tax transactions.

In order to facilitate issue of invoice to right parties, the buyer Clearing Members are required to give the buyer client details to the Exchange latest by 15.00 hrs on E+4 day failing which the buying member is considered as the end buyer and accordingly invoice is issued in his/their name.

The Seller Clearing Members are required to give the seller client details to the exchange latest by 15.00 hrs on E + 5 day.

The amounts due to the above differences will be debited / credited to Member's clearing bank account similar to normal settlement.

Pay in and Pay out for Taxes	
<b>Time (E + 6)</b>	<b>Activity</b>
On or before 11.00 hours	PAY IN: Debit Buyer Member Settlement a/c for funds.
After 11.00 hours	PAY OUT: Credit Seller Member Settlement a/c for funds

For further clarification and detailed procedure on sales tax settlement, participants can refer to circular number NCDEX/CLEARING-001/2008/002 issued on January 04, 2008.

**Exhibit 1 – Contract Specifications of Silver International**  
(updated on February 12, 2009)

<b>Type of contract</b>	Futures Contract Specifications
<b>Name of commodity</b>	Silver
<b>Ticker symbol</b>	SLVPURINTL
<b>Trading system</b>	NCDEX's Trading System
<b>Basis</b>	Ex-Ahmedabad inclusive of Customs Duty, exclusive of local Sales Tax/VAT/Octroi
<b>Unit of trading</b>	30 Kg
<b>Delivery unit</b>	30 kg
<b>Quotation/base value</b>	Rs. per Kg of Silver with 999 fineness
<b>Tick size</b>	Re 1
<b>Quality specification</b>	Not less than 999 fineness bearing a serial number and identifying stamp of a refiner approved by the Exchange.  List of approved refiners is available at : <a href="http://www.ncdex.com/downloads/refiners_silver.pdf">www.ncdex.com/downloads/refiners_silver.pdf</a>
<b>Quantity variation</b>	+/- 10% per cent at bar level.
<b>Delivery centre</b>	Ahmedabad
<b>Hours of trading</b>	As per directions of the Forward Markets Commission from Time to Time, currently:  Mondays through Fridays – 10:00 AM to 11:30 PM / 11:55 PM * Saturdays – 10:00AM to 02:00 PM Expiry Date – at 11:30 PM / 11:55 PM *  All timings are as per Indian Standard Timings (IST) *during US day light saving period The Exchange may change the above timing with due notice.
<b>Due date/Expiry date</b>	Last trading day of the contract month If last day happens to be a holiday, a Saturday or a Sunday then the due date shall be the immediately preceding trading day of the Exchange
<b>Delivery specification</b>	The buyer and seller shall give intentions of taking/giving delivery through the delivery request window at least three trading days prior to the expiry of the contracts and such intentions can be given during 3 days which would be notified separately. This will be matched by exchange for physical delivery as per the process put in place by the Exchange.
<b>Closing of contract</b>	All open positions for which delivery intentions have not been received or for which delivery intentions have been rendered but remain unmatched for want of counterparty to settle delivery, will be cash settled at Final settlement Price on the expiry of the contract.

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<p><b>Final Settlement Price</b></p>	<p>The Final settlement price will be calculated on the last trading day based on International spot price at RBI reference rate. The detailed calculation is as illustrated below :</p> <ol style="list-style-type: none"> <li>1) International spot price will be added by 5 cent as bank premium and then will be multiplied by 32.1507425 for calculating the INR equivalent of per Kg price from per ounce price. This is the price of 1 Kg of Silver in US\$ of 0.999 purity.</li> <li>2) Price arrived after step 1 will be multiplied by RBI reference rate on the day of expiry. This gives the price of 1 Kg Silver of 0.999 purity equivalent in INR duty unpaid.</li> <li>3) Price arrived after step 2 will be added by applicable customs duty on 1 Kg Silver</li> <li>4) The price arrived after step 3 is rounded-off to nearest rupee.</li> </ol>
<p><b>Opening of contracts</b></p>	<p>New contracts would be launched on 10<sup>th</sup> of the contract launch months as per schedule given in contract launch calendar. If 10<sup>th</sup> happens to be a holiday than the contract would be launched on the next trading day</p>
<p><b>No. of active contracts</b></p>	<p>As per launch calendar</p>
<p><b>Price Limit</b></p>	<p>Base daily price fluctuation limit is (+/-)4%. If the trade hits the prescribed base daily price limit, the limit will be relaxed up to (+/-)6% without any break/ cooling off period in the trade. In case the daily price limit of (+/-)6% is also breached, then after a cooling off period of 15 minutes, the daily price limit will be further relaxed up to (+/-) 9%. Trade will be allowed during the cooling off period within the price band of (+/-)6%.</p> <p>In case of price movement in International markets which is more than the maximum daily price limit (currently 9%), the same may be further relaxed in steps of 3% with the approval of FMC</p>
<p><b>Position limits</b></p>	<p><b>Member wise:</b> 150 MT or 15% of market-wide open position, whichever is higher. <b>Client-wise</b> - 50 MT The above limits will not apply to bonafide hedgers. For bonafide hedgers the Exchange will decide the limits on a case-to-case basis.</p>
<p><b>Quality allowance (for Delivery)</b></p>	<p>Silver bars of 999 fineness. No premium/ discount for other fineness.</p>

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<b>Special Margin</b>	In case of additional volatility, a special margin at such other percentage, as deemed fit by the Regulator/Exchange, may be imposed on either the buy or the sell side in respect of all outstanding positions. Removal of such Margins will be at the discretion of the Regulator/Exchange.
<b>Additional Margin</b>	In addition to the above margins the Regulator/Exchange may impose additional margins on both long and short side at such other percentage, as deemed fit. Removal of such Margins will be at the discretion of the Regulator/Exchange.

**Contract Launch Calendar**

<b>Contract Launch Month</b>	<b>Contract Expiry Month</b>
December 29, 2008	February 2009
December 29, 2008	April 2009
December 29, 2008	June 2009
April 2009	August 2009
June 2009	October 2009



**Exhibit 2 - Warehouse & Assayer Address Details**

**Warehouse Address**

BRINK'S ARYA PVT. LTD  
Kailash Society, Bhagwan Nagar No. Tekro, Mahalaxmi Panch Rasta Paldi,  
Ahmedabad 380 006, Gujarat.  
Mr. S K Menon

**Exhibit 3 - Good / Bad delivery norms**

<b>No.</b>	<b>Particulars</b>	<b>Good / Bad delivery</b>
1.	Delivery before contract expiration.	Good delivery
2.	Silver quality not meeting futures contract specification.	Bad delivery
3.	Delivery at non designated warehouse.	Bad delivery
4.	Delivery completed but without sampling & testing / certification / expired validity.	Bad delivery
5.	Delivery without weight certificate.	Bad delivery
6.	Delivery not compatible to delivery size as mentioned in contract specification.	Bad delivery
7.	Delivery beyond specified working hours.	Bad delivery
8.	Delivery without proper documentation.	Bad delivery
9.	Deposit of Silver from any non approved LBMA refiner and not specified by the Exchange.	Bad delivery
10.	Silver bars of weight other than 5 Kg. (Subject to allowable variation)	Bad delivery