

Tea Board explores options of new settlement bank for pan-India auctions

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Move comes after note of discord among traders over payment and delivery rules

Kochi, November 3: The Tea Board is reported to be mulling options of appointing a new settlement bank in order to streamline the payment process of pan-India auctions.

There may be single or multiple banks for which the Board intends to float tenders. It will not be confined to nationalised banks alone, but open to scheduled banks as well.

A suggestion in this regard came up at the core committee meeting held in Kochi to discuss the issues after the implementation of the post auction process of pan-India auctions — especially from sale no 38 and onwards.

The meeting was convened following the directive of the Tea Board Chairman after discussions with various stakeholders in the tea sector in Kolkata on the issues being faced by the trade in the auction process including in Kochi.

Payment hassles

It may be recalled that the introduction of pan-India auctions had affected all segments of the tea trade with buyers not getting delivery orders on time, delayed payments for sellers and several tax issues for brokers. Earlier, the Board — as settlement bank for pan-India auctions — appointed Bank of India but traders had already made payment arrangements with Indus Ind Bank, prior to the introduction of the auction process.

No outsourcing

Highly placed sources in the tea sector told *BusinessLine* that the trade representatives in the core committee meeting were unanimous in their view that the new settlement bank should be competent to independently carry out the receipts and payments activities and provide Pay-in and Pay-out reports as well as MIS (Management Information System), to sellers, buyers, auctioneers and warehouses. They were also against outsourcing of all these activities by the settlement bank.

They opined that the settlement bank should make efforts to satisfy buyers, sellers, brokers and warehouses in providing reports and MIS before starting its operations. It was also agreed to circulate the draft of the tender in all the auction centres to seek responses from the trade before finalisation. Besides, all auction centres should be consulted for finalising the scope of work of the settlement bank.

There were also suggestions in allowing brokers to carry out preparation and issuance of post sale documents like tax invoices, account sales, delivery orders, summaries, etc through their own software and not through a common system. The post sale documents should be generated by the broker members using their own software based on the Deal Book from the e-auction system.