NCDFI eMarket Rules for Price Validation
Forward Price Auction
(Dairy Products)

1. Introduction

The Business Rules framed hereunder shall be known as NCDFI eMarket Rules for Price Validation (Forward Price Auction – Dairy Products) being conducted by the National Cooperative Dairy Federation of India Limited (referred herewith as NCDFI) for trading Dairy Products. Price Validation auctions are conducted to validate the tentative price fixed between a buyer and seller.

These Business Rules shall be in addition to Contract Note issued by the NCDFI for conduct of eAuctions as amended by the NCDFI from time to time which shall be applicable to respective participants (bidders and sellers).

2. Applicability

These eMarket Rules in conjunction with Contract Note shall be applicable to all the constituents/participants (i.e registered bidders and sellers) who participate or intends to participate in the NCDFI eMarket. The participants who have participated in the NCDFI eMarket auctions i.e. seller by initiating auction and bidder by bidding will adhere to the eMarket Rules and Contract Note provisions.

3. Participation/Membership Rules

3.1 NCDFI Approved Seller

NCDFI will approve seller product wise. So only the NCDFI approved seller will be allowed to initiate auction or sell in the eMarket for the product approved by the NCDFI.

3.2 Registered Bidder

All the participants will have to register themselves with the NCDFI for participating in the auctions conducted on the NCDFI eMarket.

3.3 Federation Bidder

All the Federation members of the NCDFI can participate on the NCDFI eMarket (by specifically applying to the NCDFI and completing all necessary formalities as required by the NCDFI). The NCDFI approved Federations and their constituent Unions can participate in the NCDFI eMarket. The NCDFI approved Federations can place bid on behalf of constituent Unions.

3.4 Federation Constituents or Union Independently

The Federation Constituents or Unions can register themselves separately to participate independently. Such Federation Constituents or Unions can participate in the NCDFI eMarket independently from their respective Unions by the separate credentials provided to them.

3.5 Private Buyers

All Private Buyers other than Federation Constituents or Unions can participate in the NCDFI eMarket by specifically applying to the NCDFI and completing all necessary formalities as required by the NCDFI.

4. NCDFI eMarket Methodology and Rules

The NCDFI eMarket will adopt Forward Price Auction Methodology where price increases with a minimum tick size or in multiplies of tick size. The bidder would bid for the entire quantity. eAuction terminates or clearing price is declared with the conclusion of eAuction time.

4.1   EMD / Margin and Advance Transaction Charges

Both Buyers and Sellers need to deposit Margin/EMD which will also include advance transaction charges defined Rs/kg or Rs/MT. The Margin/EMD is refundable and does not carry any interest payment.

The above mentioned amount of advance transaction charges and EMD will be checked at the time of offer/bidding as margin from the sellers'/bidders' cash or non-cash margins and if adequate margin is not available, offers/bids would be rejected.

4.2   Forward Price Auction Basic Process

4.2.1   Buyer approaches the NCDFI eMarket with his requirement and offer price.

4.2.2   The NCDFI eMarket finalizes the potential seller in consultation with the buyer.

4.2.3   Buyer deposits the required EMD.

4.2.4   NCDFI eMarket approaches the seller with the details and offer price. The seller, after careful review of the offer price, may accept or reject the offer. If acceptable, the seller need to deposit the required EMD and the auction will be floated with undisclosed Reserve Price (one rupee higher than the Offer Price).

4.2.5   Auction is conducted for a specified time period. The schedule of the same will be communicated minimum 1 day prior to the eAuction date.

4.2.6   Members will be provided with unique user id and password to start participation.

4.2.7   Bidders have to deposit predefined EMD (margin money) prior to participation into their respective escrow account, to be eligible for participation.

4.2.8   Anonymous price bidding would continue till completion of auction time for entire quantity.

4.2.9   The bidders need to quote Ex-factory price of product.

4.2.10   While all the bidders need to increase the bids with a minimum tick size or in multiples of the tick size, the initial buyer will also have an option to match the bid prices i.e. he will have preferential allotment on matching the bid price on real time basis.

4.2.11   The Highest Bid Price wins the auction and the contract note would be issued on completion of the auction.

4.3   Auction Parameters

4.3.1   Quality

For a given commodity relevant quality parameter and their values will have to be defined in the product specification provided by the seller before the schedule auction. The Sellers have to correctly specify or populate such quality parameters while initiating the auction in the NCDFI eMarket.

4.3.2   Delivery

For each auction a contract period date and location has to be specified while initiating the auction. Contract period date determines the lifting or delivery period based on pre-defined delivery time.

4.3.3   Bidding Rounds

First bidding eAuction time is pre-configured as 30 minutes or as mentioned in the Auction notice while all subsequent extensions are pre-configured as 5 minutes. Any price bid prior to 3 minutes of eAuction time conclusion will result in extensions. Maximum numbers of bidding extensions are pre-defined and will be declared in the auction notice. Bidding extensions will not exceed the declared number under any circumstances.

4.3.4 Price Increments

Minimum price increments as mentioned in the contract notes would be maintained.

4.3.5 Preferential Allocation

Initial buyer who offered quantity and price will be given preferential allocation provided he matches the bid price on real time basis during the auction time.

4.3.6 eAuction Price

This is the final clearing price at which entire quantity needs to be picked up from the seller location. This is discovered based on the Highest quoted price.

4.4 No Bidding in the Auctions

If none of the bidders quote the price which is equal or higher than the Reserve Price, then the Quantity will be allocated to Initial Buyer with the Offer Price which was accepted by the seller.

4.5 Illustrations of Price Validation

Buyer A (Initial Buyer) offers Price @ Rs.250 per kg for 1,000 MT of SMP from Seller X and on receipt of acceptance from the Seller, the auction will be floated.

Scenario 1

No Bids in the auction.

The trade will be concluded between Buyer A and Seller X for 1,000 MT of SMP @ Rs.250 per kg and contract note would be issued by the NCDFI eMarket.

Scenario 2

There are one or multiple bidder(s) in the auction. One of such instance is illustrated below.

Time	Bidder	Bid Price (Rs. per kg)	Allocation Qty (1,000 MT)
09:01	B	251	Bidder B
09:05	A	251	**Bidder A**
09:10	B	252	Bidder B
09:15	A	252	**Bidder A**

The trade will be concluded between Buyer A and Seller X for 1,000 MT of SMP @ Rs.252 per kg and contract note would be issued by the NCDFI eMarket.

Scenario 3

There are one or multiple bidder(s) in the auction. One of such instance is illustrated below.

Time	Bidder	Bid Price (Rs. per kg)	Allocation Qty (1,000 MT)
09:01	B	251	Bidder B
09:05	A	251	**Bidder A**
09:10	B	252	Bidder B

The trade will be concluded between Buyer B and Seller X for 1,000 MT of SMP @ Rs.252 per kg and contract note would be issued by the NCDFI eMarket.

5. Pre-Auction Rules

5.1 Bidders Pre Auction Rules

5.1.1 Registration with NCDFI eMarket and Trading Credentials for eMarket

All bidders shall register with NCDFI eMarket and procure their valid trading credentials from NCDFI eMarket.

5.1.2 To Indent the Product

Buyer need to provide the details of the required product, quantity, offer price, minimum required shelf life of the product, payment terms, delivery schedule, preferred brand, etc.

5.1.3 Buyers Margin Requirement

Buyer providing initial offer need to deposit EMD to enable NCDFI eMarket to take up the offer with the Seller. Buyer EMD is defined as Rs/MT as mentioned in the Fee Schedule. Auction would be initiated within 7 working days from the date of receipt of the EMD.

For all other buyers, the above mentioned amount of EMD will be checked at the time of bidding as margin from the Bidders' cash or non-cash margins and if adequate margin is not available, bids would be rejected.

In case entire contracted quantity is not lifted, Seller will have a right to forfeit the entire EMD amount of the Buyer.

This EMD will be refunded, after adjusting the applicable transaction charges, within 1 working day from the date of confirmation by the seller for receipt of entire contractual amount.

5.2 Seller Pre Auction Rules

5.2.1 Auction Schedule Publication

The seller, after careful review of the offered price and quantity, will convey his acceptance or rejection. In case the offer is accepted, auction will be convened with atleast 1 day prior notice.

5.2.2 Product Specification

The seller shall provide product specification. All milk products traded on the NCDFI eMarket shall be in conformance with the applicable rules and regulations requirements of the: Food Safety and Standards Act, 2006 and the Regulations thereunder, and Legal Metrology (Packaged Product) Rules, 2011.

5.2.3 Supply Details

The seller shall enter supply details containing details of the location, date of manufacture, payment terms and delivery period etc. before the NCDFI prescribed days (i.e. minimum 1 day prior to auction date).

5.2.4 Reserve Price

The undisclosed reserve price will be fixed at Re.1 higher than the offer price.

5.2.5 Seller Margin Requirement

The seller is required to bring sufficient margin for initiating the auction on the NCDFI eMarket. Sellers need to deposit defined Rs/kg or Rs/MT Margins.

In case entire contracted quantity is not delivered, Buyer will have a right to forfeit the entire EMD amount of the Seller.

This EMD will be refunded within 1 working day from the date of confirmation by the buyer for receipt of entire contractual quantity.

6. **Post Trade Auction Fulfilment Rules**

6.1   Bidder Fulfilment

6.1.1   The winning bidders' EMD will be blocked till funds settlement is done by the bidder.

6.1.2   The winning bidder will settle the fund obligation within the payment terms as defined in the supply agreement uploaded by seller.

6.1.3   The winning bidder after settling the funds obligation will intimate the NCDFI eMarket regarding the payment details.

6.1.4   The winning bidder's EMD will be blocked until the seller confirms the buyer's settlement of fund obligation. The EMD blocked of the winning bidder will be released after deducting the transaction charges on seller confirmation of buyer payment.

6.2   Seller Fulfilment

6.2.1   The seller will deliver the product to the winning bidder within the delivery terms as specified in the product contract note.

6.2.2   The seller will timely confirm the buyer payment of their fund obligation.

6.2.3   The blocked seller EMD will be released when the buyer confirms the delivery of product to the buyer through NCDFI eMarket.

6.3   In case no intimation is received from buyer and seller within a period of one month after stipulated delivery period, it will be presumed that the contract obligations were fulfilled and accordingly margins of seller and buyer would be released.

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