



Price Validation



Need for Price Validation



- **When transaction volumes are large, suppliers often provide volume discounts.**
- **Volume discounts vary according to the market scenario and there are no benchmark prices.**
- **In buyers market, cooperatives does not prefer to declare the available volumes unless there is a guaranteed buyer. Further, declaring the bulk discounted prices will have negative impact on market prices.**
- **These auctions will have 100% success rate and contracts are concluded with equilibrium prices.**

Auction Terminology



- **Initial Buyer:** The buyer who offered the price initially based on which the auction was initiated.
- **Offer Price:** The price initially offered by the buyer and agreed by the selling cooperative.
- **Reserve Price:** The price at which auctions are initiated which would be Re.1/- higher than the Offer Price.
- **Concluded Price:** The H1 price discovered by conducting the auction.

Auction Process Overview



- Buyer approaches the NCDFI eMarket with his requirement and offer price.
- NCDFI eMarket finalizes the potential seller in consultation with the buyer.
- Buyer deposits the required EMD.
- NCDFI eMarket approaches the seller with the details and offer price. The seller 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).

Auction Process Overview



- Auction will be floated with a minimum one day notice and will be circulated through Mobile App, emails and listing on webpages.
- These auctions will have 100% success rate as both buyer and seller have agreed for a minimum contract price (Offer Price) in advance.
- The contract price is validated through an auction and the contract is concluded with a price equal to or more than the Offer Price.

Buyer Benefits



- Large seller base enables the buyers in procuring the material with competitive prices.
- The Buyer will get the required material on his own terms.
- The prices will increase only in case of market demand.
- Low administrative costs.

Seller Benefits



- Transactions are transparent and offer prices are conveyed to the seller in advance.
- The seller gets the bulk order.
- Selling is guaranteed and hence they can declare the volumes.
- The offered prices are validated in the market and if the prices are on lower side, the contract would be concluded with the right price.
- No transaction charges.

How Does Auction Work?



- The trading event is managed by the NCDFI eMarket.
- The trading process is “Forward Auction”.
- Required minimum and maximum quantities, specifications, delivery period, selected seller and offer price need to be entered by the Buyer.
- In case these terms are acceptable to the seller, the auction will be initiated with a Reserve Price, which is one rupee higher than the Offer Price, and open for all interested buyers.
- Bidders bid the Ex-Dairy price which need to be equal or more than the Reserve Price.

Buyer Rules



- **Only approved buyers can take part in this auction.**
- **Each dairy product will have a separate auction with a minimum quantity of 100 MT.**
- **Providing Offer Price in advance is mandatory for the Buyer so as to enable the selling dairy cooperatives to review and take necessary approvals.**
- **Buyers need to bid for entire offered quantity and take the delivery.**
- **Once the auction is floated and price increases, the Initial Buyer will have an option to participate or withdraw.**

Seller Rules



- **Only selected Seller can float these auctions.**
- **After careful review of the Offer Price, seller can either reject or accept the offer.**
- **Contracts would be concluded with a price equal to or higher than the Offer Price.**
- **Seller need to supply the concluded quantity with the concluded price. There will be no provision to revise the quantity.**

Scenario 1

- **No participation in the auction.**
- **As there are no other interested buyers to procure the material with the Reserve Price, the contract would be concluded with the Offer Price and awarded to the initial buyer.**

Scenario 2

- **One or multiple bidder(s) participates in the auction.**
- **The Initial Buyer will have an option to further participate or withdraw.**
- **Allocation will be displayed on the screen. While all other bidders need to increase their bids by minimum Re.1/- per kg, the Initial Buyer will be given preferential allocation provided the bid price was matched on real time basis.**
- **Contract would be concluded with the highest bid price and awarded to the highest bidder or Initial Buyer, who ever is the last bidder of that price within the given time.**

Illustration

Initial Buyer : A

| Time | Bidder | Ex-Factory Bid Price (₹ per kg) | Bidders can view their allocation | | |
|-------|--------|-------------------------------------|-----------------------------------|-------|-------|
| | | | A | B | C |
| 09:01 | B | ₹ 231 | - | 1,000 | - |
| 09:12 | C | ₹ 232 | - | - | 1,000 |
| 09:15 | A | ₹ 232 | 1,000 | - | - |

Bidder A would be awarded the contract @ ₹ 232

Security Deposit

Security Deposit

**Rs.2,000/- per MT
(Applicable to both Buyers & Sellers)**

Note: Sellers need to deposit additional Rs. 3,000/- per MT towards TDS.

Registration & Transaction Charges

- | | |
|-------------------------------------|--|
| ▪ Registration | Rs. 5,000/- |
| ▪ Annual Maintenance Charges | Rs. 5,000/- |
| ▪ Buyer Transaction Charges | Flat 0.20% of the transaction value |
| ▪ Seller Transaction Charges | Nil |

These charges are excluding applicable taxes.



Thank You

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