

# CONTRACT NOTE FOR MULTI STAGE AUCTIONS(DAIRY PRODUCTS)

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## CHAPTER 1 - AUCTION PARAMETERS

### Authority

Sellers authorized by NCDFI may put up the approved dairy product(s) for sale at NCDFI eMarket in Multi Stage Auction when the stock is available for sale with them. The selection of seller will be done based on - predefined parameters/criteria set by NCDFI. Meeting all the defined parameters/criteria alone did not qualify a member to be a seller of dairy products at NCDFI eMarket. The approval of any members to sell dairy products through NCDFI eMarket is under the discretion of NCDFI.

### Unit of Trading

The unit of trading shall be in Metric Ton (MT).

### Bid and Offer Parameters

The Dairy Products manufactured by the sellers / **their Units/hired Units/leased units are allowed to sell on the NCDFI portal.** The seller will specify values of the parameters for the stock to be sold. The seller is not allowed to sell Dairy Products that do not meet the mandatory standards.

### Trade Parameters

The following Parameters of the product need to be provided by the seller.

Product Type

Brand Name

Details of Manufacturing Unit

Delivery Location

Delivery Mode (Ex-Factory/Warehouse mode allowed at present)

Contract Period Date

Date of Produce (Oldest stock)

Packaging Size

### Quotation Price and Tick Size

Unit of Price Quotation shall be Rs./Kg. The tick size of the price of Dairy Products shall be Re.1/Kg.

In case of Butter, seller will have an option to offer either fix or pro-rata price. In case of fix price, minimum fat of 82% is guaranteed and no extra charges are payable for additional fat, if any. In case of pro-rata price, proportionate price hike is applicable for fat higher than 82%.

## **Unit for Quantity Quotation and Quantity Tick**

The unit of quantity quotation for Dairy Products shall be in Metric Ton and Quantity Tick shall be 1 MT.

## **Auction Calendar**

Initially, the auctions will be conducted on every Thursday. The auction will be held in two different phases. The phase-I will start by 1130 hours and phase-II will start by 1430 hours. In case of any change in auction date and/or time, the same will be communicated well in advance.

The auction calendar may change time to time which shall be intimated in advance. All timings are as per Indian Standard Timings (IST).

## **Pre-Requisites for Bidding**

All registered members of the NCDFI eMarket are eligible to Bid. Bidders may contact NCDFI for any clarifications regarding membership & terms and conditions of NCDFI eMarket.

## **Auction Method**

The sellers have to provide the quantity, base price, location, manufacturing date & plant and other quality parameters for the auction within the given time frame.

- a. The 'Multi Stage Auction' will be in two different phases. In Phase I only NCDFI dairy cooperative members are allowed to bid where the price will be fixed by the initiators/seller and the bidder(s) need to quote the required quantity subject to the minimum quantity mentioned by the seller. The Phase I auction will be of 30 minutes and there will be no extension. The allocation of the quantity will be done on a real-time basis and the remaining, if any quantity will be carried forward to the Phase II auction.
- b. In Phase II, all the registered members of NCDFI eMarket are allowed to participate in the eAuction. It will start with the remaining quantity of Phase-I, if any, offered by the seller. It will follow Ascending Price Auction Methodology where price increases round by round if demand equals to or exceeds supply. Auction terminates or clearing price is declared when the demand quantity is equal to or less than the supply (offered) quantity.

All the prices mentioned on the portal would be on ex-godown basis and exclusive of applicable taxes, transportation, insurance, etc. When the

demand in a round exceeds MOQ (Maximum Offer Quantity), the auction will enter into the next round. This process will continue till the Demand is less than or equal to the MOQ. The auction will terminate when this condition is met.

- c. The prices will increase in every consecutive round as per the tick size. The price increase would depend upon the Demand Supply ratio as explained below.

<b>Demand/Supply Ratio</b>	<b>No. of Ticks for Price Increase</b>
$\geq 5$	10
$\geq 4$ and $< 5$	8
$\geq 3$ and $< 4$	6
$\geq 2$ and $< 3$	4
$< 2$	2

**Tick amount proposed to be in nearest 50 paise.**

- a. A gap of 5 minutes would be made between consecutive rounds. There shall be maximum 10 such rounds.
- b. A CP (Clearing price) would be determined, based on the results of the auction. The price for the Round which will yield the maximum trade value in the auction will be called as the Clearing Price.
- c. The quantity allocation will be done as per the quantity bid submitted in the system by the bidder.
- d. During an auction session, a bidder may modify his quantity downward or maintain the quantity in consecutive rounds to be in the auction.
- e. Bidders have to join the auction from round 1 Bidders cannot enter in the auction in between rounds.
- f. No cancellation of Bids shall be allowed once the round is concluded. However, during the round timings, bidders can cancel or modify their bids number of times and the last bid shall be final if it follows the bidding rules.
- g. In subsequent rounds after round one, bidders are only allowed to reduce or maintain quantity.

- h. The final results of the eAuction are binding on all bidders and any requests for cancellation received after the conclusion of an auction session shall result in the forfeiture of the Bid Bond.
- i. Any bid placed using the bidder's username and the password shall be deemed to be an unconditional binding of the bidder to whom such username and the password has been allotted, inter-alia, for the purpose of the eAuction and the bidder shall be solely and fully responsible for all the activities that occur under such username and password. The user is therefore advised to check the username and the password before the eAuction and is advised not to reveal it to anyone else so as to prevent misuse of the same.

### **Margin Requirements**

EMD defined as Rs/MT as mentioned in Fee Schedule/Auction Notice would have to be deposited for the quantity to be offered for sale by the seller and intended to bid quantity by the bidder.

- a. The bidders shall be allowed by NCDFI to bid only if the requisite EMD amount is available with NCDFI. The amount deposited as Bid Bond would determine the bidding capacity of the bidder.
- b. Only the Margin of the successful bidders and sellers would be blocked by NCDFI. Margins of the unsuccessful Bidder(s), including those whose bid(s) are not accepted due to non-fulfilment/not meeting the conditions attached to the bid(s), shall be returned by NCDFI.

### **Contract Period**

The contract period for effecting delivery and payment shall be within the specified Contract Period Date mentioned for the auction and Bid Evaluation Result.

### **Penalty for default and Cancellation of trade**

In case the bidders and sellers mutually agree to cancel the trade and provide a written consent to NCDFI, the trade will be annulled. NCDFI annulment charges of 0.1% of the trade value i.e. quantity x price will be applicable to both bidder and seller.

In case the successful bidder fails to lift the stocks or fails to pay within the stipulated contract period the seller will be free to rescind the contract and dispose off the stock. In this case, the margin deposited by the bidder will stand forfeited and passed on to the seller after recovering the applicable transaction fees. This may lead to blacklisting of the buyer and debarred from participating in NCDFI auctions.

In case seller fails to supply the quantity within the stipulated contract period, the margin deposited by the seller shall be forfeited and passed on to the bidders after recovering the applicable transaction fees. This may lead to blacklisting of the seller and debarred from participating in NCDFI auctions.

### **Arbitration**

Any dispute or difference in respect of any matter relating to or arising out of the Contract would be first brought to the Market Oversight Committee of NCDFI eMarket. If the parties do not agree to the resolution proposed by Market Oversight Committee, the parties are free to appeal to the National Dairy Development Board (NDDB). The decision of NDDB shall be final and binding on all parties.

Subject to the aforesaid, the Courts at Anand alone shall have jurisdiction in respect of any matter arising from or related to the present agreement including any matter arising from or related to the arbitration referred to hereinabove.

### **Force Majeure**

Should any of the force majeure circumstances, namely act of God, natural calamity, fire, Government of India Policy, restrictions (excluding any stock limits), strikes or lock-outs by workmen, war, military operations of any nature and blockades preventing the Seller/Bidder from wholly or partially carrying out their contractual obligations, the period stipulated for the performance of the Contract shall be extended for as long as these circumstances prevail, provided that, in the event of these circumstances continuing for more than three months, either party shall have the right to refuse to fulfill its contractual obligations without title to indemnification of any losses it may thereby sustain.

The party unable to carry out its contractual obligations shall immediately advise the other party of the commencement and the termination of the circumstances preventing the performance of the contract. A certificate issued by the respective Chamber of Commerce shall be sufficient proof of the existence and duration of such circumstances.

## CHAPTER 2 - DELIVERY PROCEDURES

### Delivery Size

A quantity variation of +/- 5% is permitted as per contract specification.

### Delivery and Payment

Delivery and payment will be handled between bidder and seller directly within the contract period. However, NCDFI shall be intimated of the fulfilment of the contract obligations through the Post Trade system/e-mails etc.

Only on successful intimation of the delivery and payment by providing E-Way bill(s), margins of the bidder and seller are released. In case no intimation is received from the bidder and seller within one month of specified contract period mentioned for the auction, it will be presumed that the contract obligations were fulfilled and accordingly margins of seller and bidder would be released after deducting the applicable TDS/Transaction Charges.

The Seller's responsibility shall cease once the goods leave the warehouse premises and no claim of quality, quantity and or any other nature, from the bidder will be entertained thereafter.

### Quality Standards and Specifications

Dairy Products traded on this e-platform shall be in conformance with the requirements of the:

- ✓ Food Safety and Standards Act, 2006 and the Regulations there under, and
- ✓ Legal Metrology (Packaged Product) Rules, 2011

The quantity offered for sale by respective Sellers will be published and provided to all prospective bidders 1 day prior to the auction date.

### Packaging

Packaging shall be as defined in the Product Data uploaded by Seller at [www.ncdfiemarket.com](http://www.ncdfiemarket.com).

### **Quality Assurance**

Sellers would maintain the quality certificate for stocks being sold at NCDFI and copies of the same shall be made available to the bidder on demand. In case of any deviation in the quality offered and the specification provided by the concerned seller to NCDFI, the product will be rejected and the trade may be treated as canceled. In such cases NCDFI may black list the member and/or forfeit the blocked EMD against the particular trade. The decision of the committee formed by NCDFI will be final.

### **Transaction Charges**

NCDFI shall collect transaction charges of the contract value from the Sellers, as per the transaction charge schedule published and in force at [www.ncdfiemarket.com](http://www.ncdfiemarket.com). These transaction charges shall be deducted from margin money / advance transaction fee of the Seller.

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