

CONTRACT NOTE FOR FORWARD AUCTIONS (DAIRY PRODUCTS)

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CHAPTER 1 - AUCTION PARAMETERS

Authority

Sellers authorized by NCDFI may put up Ascending Price Auction when Dairy Commodities (SMP, Butter, Ghee, Cheese and Dairy Whitener) are available for sale with them.

Unit of Trading

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

Bid and Offer Parameters

The Dairy Commodities manufactured by the sellers / their 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 Commodities that does not meet the 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

Base Price

Quotation Price and Tick Size

Unit of Price Quotation shall be ₹/Kg. The tick size of the price of Dairy Commodities shall be ₹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 Commodities shall be in Metric Ton and Quantity Tick shall be 1 MT.

Auction Calendar

Initially, the auctions will be conducted on every Wednesday and Friday starting at 1430 hours and extending up to 1800 hours.

The auction will consist of a maximum of 10 rounds (30 minutes for first round and 15 minutes each for remaining with 5 minutes gap between two rounds).

The sellers have to specify the quantity, base price and quality parameters for the auction atleast one calendar day in advance i.e. by 1600 hours of previous Tuesday and Thursday to enable the portal to display the auction details on the NCDFI eMarket from 1100 hours onwards.

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

The auction calendar may be changed at the discretion of NCDFI. 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 (Ascending Auctions)

- a. Quantity, base prices and other parameters of the products offered for auction by respective sellers shall be provided 1 day prior to the auction date.
- b. The auction consists of multiple rounds. While duration of first round is for 30 minutes all subsequent rounds would of 15 minutes. During a round bidders have to bid quantity at the round price indicated by the auction system. Seller may specify a minimum bid quantity, in that case bid quantity has to be greater than or seller defined minimum bid quantity.
- c. When the demand in a round exceeds MOQ (Maximum Offer Quantity), the auction will enter into the next round. There will be a time gap of 5 minutes between rounds. This process will continue till the Demand is less than or equal to the MOQ. The auction will terminate when this condition is met.

- d. 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.

| Demand/Supply Ratio | No of ticks for price increase |
|----------------------------|---------------------------------------|
| ≥ 5 | 5 |
| ≥ 4 and < 5 | 4 |
| ≥ 3 and < 4 | 3 |
| ≥ 2 and < 3 | 2 |
| < 2 | 1 |

- e. A gap of 5 minutes would be made between consecutive rounds. There shall be maximum 10 such rounds.
- f. 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.
- g. The quantity allocation will be done as per the quantity bid submitted in the system by the bidder.
- h. During an auction session, a bidder may modify his quantity downward or maintain the quantity in consecutive rounds to be in the auction.
- i. Bidders have to join the auction from round 1. Bidders cannot enter the auction in between rounds.
- j. 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 last bid shall be final.
- k. In subsequent rounds after round one, bidders are only allowed to reduce or maintain quantity.
- l. 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.

- m. 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 ₹/MT as mentioned in Fee Schedule would have to be deposited for the quantity to be offered for sale by the seller and intended bid quantity by the buyer.

- 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-fulfillment/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.

Penalty for default and Cancellation of trade

In case the buyers 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 buyer will stand forfeited and passed on to the seller after recovering the applicable transaction fees.

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.

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 the 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/Buyer 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 buyer and seller directly within the contract period. However, NCDFI shall be intimated of the fulfillment of the contract obligations through the Post Trade system.

Only on successful intimation of the delivery and payment, margins of the buyer and seller be released. In case no intimation is received from buyer 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 buyer would be released.

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 buyer will be entertained thereafter.

Quality Standards and Specifications

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

- Food Safety and Standards Act, 2006 and the Regulations thereunder, and
- Legal Metrology (Packaged Commodity) Rules, 2011
- Other conditions as may be specified in product page of www.ncdfiemarket.com

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

Packaging

Packaging shall be as defined in the Product Data uploaded by Seller at www.ncdfiemarket.com.

Quality Assurance

Sellers would maintain the quality certificate for stocks being sold and copies of the certificates shall be made available to the buyer on demand.

Transaction Charges

NCDFI shall collect transaction charge of the contract value from the Seller, as per transaction charge schedule published and in force at www.ncdfimarket.com. These transaction charges shall be deducted from margin money / advance transaction fee of the seller.