

## **NCDFI eMarket Rules for Auction Sale (Dairy Products)**

### **1. Introduction**

The Business Rules framed hereunder shall be known as NCDFI eMarket Rules for Auction Sale being conducted by National Cooperative Dairy Federation of India Limited (referred herewith as NCDFI) for trading of dairy products. These auctions are developed to replace the tenders and subsequent negotiations for sale of dairy products.

### **2. Applicability**

These eMarket Rules 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.

### **3. Participation/Membership Rules**

#### **3.1 NCDFI Approved Seller**

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

#### **3.2 Registered Bidder**

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

### 3.3 **Federation Bidder**

All the Federation members of NCDFI can participate on the NCDFI eMarket (by specifically applying to NCDFI and completing all necessary formalities as required by 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 NCDFI and completing all necessary formalities as required by NCDFI.

## 4. **NCDFI eMarket Methodology and Rules for Auction Sale**

NCDFI eMarket Auction sale follows Yankee Forward Auction method. In this method, bidder bid for required quantity and price they are willing to pay in auction. On real time basis, system will display the tentative quantities allocated to the bidder. Bidder can revise the price as well as quantities in ascending order from time to time during the auction period considering the tentative allotment. Post auction, the NCDFI eMarket communicates the seller the offer prices received and after careful review of the prices, the seller communicate the selling price acceptable to them. Subsequently, trade confirmations would be issued to the successful bidders.

## 4.1 **Auction Sale Basic Process**

- 4.1.1 Auction is conducted for a specified time period. The schedule of the same will be communicated in advance.
- 4.1.2 Members will be provided with unique user id, password and Escrow account for participation.
- 4.1.3 Buyers have to deposit predefined EMD (margin money) prior to participation into their respective Escrow account to be eligible for participation.
- 4.1.4 The EMD deposited will determine the bidding capacity of the bidder.
- 4.1.5 Anonymous price bidding would continue till completion of auction time for required quantity.
- 4.1.6 The buyers need to quote required quantity and price of product. This is the price at which buyer is willing to buy the product. All the quoted prices on the portal are on ex-factory basis.
- 4.1.7 The bids of all buyers who have participated in the eAuction must remain valid for the period as mentioned in newsletter and the EMD of buyers who are tentatively allocated the quantities would be blocked during this period.
- 4.1.8 The quoted prices for offered quantity would be conveyed to the Seller on completion of auction and the Seller will have an option to accept or reject the price bids partially or fully within the prescribed time limit. In case of reduction in quantity, the Bid Evaluation Result will be issued after taking the approval from the buyer.
- 4.1.9 On receipt of Seller confirmation, the trade confirmations would be issued.

## 4.2 **Auction Parameters**

### 4.2.1 **Quality**

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

#### 4.2.2 **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.

#### 4.2.3 **Maximum Offered Quantity (MOQ)**

This is the maximum quantity seller is willing to sell in the auction.

#### 4.2.4 **Bidding Rounds**

First bidding eAuction time is pre-configured as 15 or 30 minutes 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 as 3. Bidding extensions will not exceed this number under any circumstances.

#### 4.2.5 **Price Increments**

A minimum price increment of 1₹ for dairy products will be maintained. Price quote would be in ₹/kg for dairy products.

#### 4.2.6 **Lot Size**

The minimum lot size and incremental quantities would be declared by seller at the time of initiation.

#### 4.2.7 **Clearing Price and Quantity**

This is the price quoted by the bidders and accepted by the Seller. There could be different prices in an auction.

For example, in a Forward Yankee Auction for 1,000 MT SMP with a minimum bid quantity of 300 MT, participation of three bidders is illustrated below:

Maximum offered quantity: 1,000 MT

<b>Time</b>	<b>Bidder</b>	<b>Ex-Factory Bid Price (₹ per kg)</b>	<b>Bid Qty (MT)</b>
<b>09:00</b>	Bidder A	₹ 137	1,000
<b>09:05</b>	Bidder B	₹ 138	700
<b>09:27</b>	Bidder C	₹ 139	600
<b>09:29</b>	Bidder A	₹ 140	600

In the above illustration, Bidder A would be awarded 600 MT of SMP at a price of ₹ 140 per kg; and Bidder C would be awarded 400 MT of SMP at a price of ₹ 139 per kg. These allocations are tentative subject to acceptance of Seller.

In the above illustration, the following three options are available:

*Option 1:* Seller accepts the price of ₹ 140 then Bidder A would be awarded 600 MT @ ₹ 140 while Bidder C will not get any allocation.

*Option 2:* Seller accepts the price of ₹ 139 then Bidder A would be awarded 600 MT @ ₹ 140 while Bidder C would be awarded 400 MT @ ₹ 139.

*Option 3:* Seller does not accept the price of ₹ 140 then the auction is failed and there would be no allocation.

### 4.3 **Failed Auction**

If the highest quoted price bid is not acceptable to the seller, then the auction will fail.

### 4.4 **Auction Sale Bidding Rules**

#### 4.4.1 **Bid Quantity Rule**

Bidder may maintain the same quantity and increase the price.

#### 4.4.2 **Bid Modification**

Bidders may modify their bids any number of times during round subject to bid quantity rules. Only the latest bid in each round will be considered if acceptable as per the rule.

#### 5. **Non-Repudiation**

Any bid placed using the bidders 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 so as to prevent misuse of the same. It is further suggested that bidders are requested to change the password frequently to protect from misuse.

#### 6. **EMD / Margin and Advance Transaction Charges**

Buyers need to deposit Margin/EMD which will also include advance transaction charges defined as ₹/MT or a percentage of the traded value. The Margin/EMD is refundable and does not carry any interest payment.

The advance transaction charges and 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.

## **7. Pre-Auction Rules**

### **7.1 Seller Pre Auction Rules**

#### **7.1.1 Auction Schedule Publication**

The seller shall provide list of auctions to be conducted by entering minimum and maximum offered quantity within the NCDFI prescribed days prior to auction date.

#### **7.1.2 Product Specification**

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

#### **7.1.3 Supply Details**

The seller shall enter supply details containing details of location, date of manufacture, taxes and delivery period etc. before the NCDFI prescribed days.

#### **7.1.4 Seller Margin Requirement**

The seller is exempted from payment of transaction charges/EMD.

### **7.2 Bidders Pre Auction Rules**

#### **7.2.1 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.

### 7.2.2 **Margin Requirement**

EMD is defined as ₹/MT as mentioned in the respective terms and conditions. The above mentioned amount of EMD will be checked at the time of bidding as margin from the Bidders' cash or noncash margins and if adequate margin is not available, bids would be rejected.

## 8. **Post Trade Auction Fulfilment Rules**

### 8.1 **Bidder Fulfilment**

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

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

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

8.1.4 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 on seller confirmation of buyer payment after deducting transaction charges.

### 8.2 **Seller Fulfilment**

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

8.2.2 The seller will timely confirm the buyer payment of their fund obligation and EMD of buyer will be released.

8.3 In case no intimation is received from 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 buyer would be released.

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