

NCDFI eMarket Rules for Forward Auction (Dairy Products)

1. Introduction

The Business Rules framed hereunder shall be known as NCDFI eMarket Rules for eAuction (Forward Price Auction – Dairy Products) being conducted by National Cooperative Dairy Federation of India Limited (referred herewith as NCDFI) for trading Dairy Products.

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

2. Applicability

These eMarket Rules in conjunction with Contract Note shall be applicable to all the constituents/participants (i.e registered bidders and initiators) who participate or intends to participate in the NCDFI eMarket. The participants who have participated in the NCDFI eMarket auctions i.e. initiator 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 Initiator

NCDFI will approve initiator product wise. So only NCDFI approved initiator 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 Bidders**

All Private Bidders 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 Forward Auction**

NCDFI eMarket follows 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 supply (offered) quantity.

4.1 **Ascending Price Auction Basic Process**

- 4.1.1 Auction is conducted in multiple rounds and with each round, the round price automatically goes up by one or more ticks based on a demand / supply ratio.
- 4.1.2 Bidders have to start participation from round 1 and have to bid in every round if they want to stay in the auction (Bidders may use auto-bid).
- 4.1.3 Bidders have to take the round price in each round and are only allowed to reduce or maintain quantity in the subsequent rounds.
- 4.1.4 Auction ends if and when a clearing price and clearing quantity is found that satisfies the auction rule of quantity demanded (bided) being equal or less than offered quantity. Auction is considered

successful if cleared quantity is above zero and clearing price is at or above the base or starting price. Else it is considered unsuccessful.

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 initiator before the scheduled auction. The initiators 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 delivery mode, 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 window for each delivery mode.

4.2.3 **Base Price (BP)**

Base Price is ex-factory price of product. This is the minimum ex-factory price at which initiator is willing to sell. This is the starting price at round 1 of auction. All the prices mentioned on the portal are on ex-godown/factory basis and exclusive of applicable taxes, transportation, insurance, etc. unless specified otherwise.

4.2.4 **Maximum Offered Quantity (MOQ)**

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

4.2.5 **Minimum Bid Quantity (MBQ)**

This is the minimum quantity that initiator willing to sell in the auction. Initiator will not sell if bid quantity is less than this.

4.2.6 **Bidding Rounds**

Maximum numbers of bidding rounds are pre-defined as 10. Bidding rounds will not exceed this number under any circumstances. First bidding round is pre-configured as 30 minutes while all subsequent rounds are pre-configured as 15 minutes and time period between rounds is 5 minutes. This is applicable across all auctions.

4.2.7 **Price Increments**

A minimum price increment (1 price tick) and Demand/Supply Ratio Tick Size Matrix are defined in the product wise contract. Between two rounds, price may go up by 1 to 5 price ticks. If the demand-supply ratio is more than X5 then 5 ticks is the price increment, if ratio is between X4 and X5 then 4 ticks is the price increment and so on till ratio is less than X2, when increment is one tick. X2, X3, X4 and X5 values are pre-configured and are applicable for all auctions.

4.2.8 **Clearing Price**

This is the price at which all trades are matched. There is a single clearing price for trades in an auction. This is discovered at the end of the auction.

4.2.9 **Clearing Quantity**

Clearing quantity is the traded quantity for matched trades. This is discovered at the end of auctions.

4.3 **Clearing price and quantity**

The clearing price and quantity is determined dynamically based on demand in each round. There are various scenarios possible when applying rules to determine clearing price and clearing quantity.

4.3.1 **Demand between MBQ and MOQ**

If the demand is less than MOQ but greater than or equal to MBQ, then clearing price and quantity is the demand quantity in the round.

4.3.2 **Demand over MOQ**

If the demand exceeds or equals MOQ in a given round (Round N) and in the subsequent round (Round N+1), demand falls below MOQ, then clearing is based on maximisation of value, such that-

Case 1 – $MOQ * \text{Round N price} \geq MOQ * \text{Round N+1 price}$, then clearing quantity is MOQ and clearing price is Round N price

Case 2 - $MOQ * \text{Round N price} < MOQ * \text{Round N+1 price}$, then clearing quantity is MOQ and clearing price is Round N+1 price

4.4 **Allocation Rules**

- 4.4.1 If at the clearing price, demand exceeds MOQ, not all bidders will get the quantity that they bid for. Auction ends when the demand falls below MOQ. If this happens in the $N+1^{\text{th}}$ round, the allocation is done in the following order:

Bidders who bid in the $N+1^{\text{th}}$ round get full allocation of the quantity that they bid in $N+1^{\text{th}}$ round. This is because in the $N+1^{\text{th}}$ round, demand is below MOQ.

Then the remaining MOQ after $N+1$ allocation will be allocated to the $N+1$ bidder to the extent of N^{th} round quantity.

Then the balance MOQ, if any, will be allocated to bidder who has the highest quantity in N^{th} round to the extent of their N^{th} round quantity and so on.

- 4.4.2 The above allocation will be in multiple of bidder's lot size as selected during bidding subject to minimum quantity mentioned by the initiator.

5. **Bidding Rules**

5.1 **Continued Participation**

Each bidder has to participate in the N^{th} Round to be eligible to participate in the $N+1^{\text{th}}$ round. However, non-participation in the $N+1^{\text{th}}$ does not imply that bidder's commitment in N^{th} Round is cancelled. This is because based on value maximization rule, the clearing price and quantity may be determined as per N^{th} Round.

5.2 **Bid Quantity Rule**

Bidders may maintain the same quantity in the subsequent rounds or may reduce the quantity. However, bidders are not allowed to increase the quantity in the subsequent rounds. Bid quantity has to be in multiple of lot size selected.

5.3 **Auto-Bid**

Bidders will be given a facility to put in auto-bids. An auto-bid defines a maximum price and a quantity. Once defined the bids are inserted automatically on behalf of the bidder in each round till the auto-bid maximum price is reached. This is done at the start of each

round. If auction continues after auto-bid maximum price, bids may be put in manually by bidder for subsequent rounds.

5.4 **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.

5.5 **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.

5.6 **EMD / Margin and Advance Transaction Charges**

Both Bidders and Initiators need to deposit Margin/EMD which will also include advance transaction charges defined ₹/kg or ₹/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 initiators'/bidders' cash or non-cash margins and if adequate margin is not available, offers/bids would be rejected.

6. **Pre-Auction Rules**

6.1 **Initiator Pre Auction Rules**

6.1.1 **Auction Schedule Publication**

The initiator shall provide list of auction to be conducted by entering minimum and maximum offered quantity within the NCDFI prescribed days (i.e. 1 day) prior to auction date.

6.1.2 **Product Specification**

The initiator shall provide product specification. All milk products traded on 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.

6.1.3 **Supply Details**

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

6.1.4 **Base Price**

The initiator shall specify and enter (provide) the base price prior to scheduled auction and these prices shall be disclosed to all bidders and initiators from 1100 hours onwards.

6.1.5 **Initiator Margin Requirement**

The initiator is required to bring sufficient margin (For Dairy Products) before providing auction quantity details on NCDFI eMarket. In case of insufficient margin, the schedule auction details will not be displayed.

6.2 **Bidders Pre Auction Rules**

6.2.1 **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.

6.2.2 **Margin Requirement**

EMD is defined as ₹/MT as mentioned in the Fee Schedule. 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.

7. **Continuous Market**

- 7.1 From the next day of the auction date, remaining offered stocks, if any, and additional stocks as may be offered by the initiators, would be made available on the portal for sale under 'Continuous Market'.
- 7.2 The sale price for these products would be highest of Offered Base Price or Concluded Price at previous Wednesday auctions.
- 7.3 Initiators will have an option to withdraw, increase or decrease the quantities without altering other parameters.
- 7.4 Initiators will also have an option to increase the price anytime. However, they will not have an option to decrease the prices below the initial price (as per para 7.2) fixed by the portal.
- 7.5 Bidders will have an option to express their interest to buy the offered products on any working day (Monday to Friday between 1100 to 1700 hours) till the next auction date.
- 7.6 On entering the required quantities by the Bidder in the Continuous Market, the same will be communicated to the Initiator and trade confirmation will be issued to both the parties on receipt of Initiator's concurrence. Intimation regarding the acceptance or rejection of Bidder's offer will be issued within one working day.
- 7.7 For trades in Continuous Market, payment needs to be released by the bidders before next Tuesday i.e. before commencement of next eAuction.
- 7.8 All other terms and conditions for these transactions would remain same as applicable for regular Forward Auctions at NCDFI eMarket.

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

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

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 Bid Evaluation Result.

8.2.2 The seller will timely confirm the bidder payment of their fund obligation.

8.2.3 The blocked seller EMD will be released after deducting transaction charges when the bidder confirms the delivery of product to the bidder through NCDFI e Market.

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