# NCDFI eMarket Rules for Auction Purchase

1. Introduction

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

# Applicability

These eMarket Rules shall be applicable to all the constituents/participants (i.e. registered bidders and buyers) who participate or intends to participate in the NCDFI eMarket. The participants who have participated in the NCDFI eMarket auctions i.e. buyer by initiating auction and bidder by bidding will adhere to the eMarket Rules.

# Participation/Membership Rules

## NCDFI Approved Buyer

NCDFI will approve buyer commodity wise. So only NCDFI approved buyer will be allowed to initiate auction or buy in the eMarket for the commodity approved by NCDFI.

## Registered Bidder

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

## 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.

## 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.

## Private Sellers

All Private Sellers 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.

## Farmer Producer Organizations (FPOs)

FPOs can participate in the NCDFI eMarket by specifically applying to NCDFI and completing all necessary formalities as required by NCDFI.

# NCDFI eMarket Methodology and Rules for Auction Purchase

NCDFI eMarket follows Yankee Reverse Auction method. In this method, bidder bid for offered quantity and price they are willing to offer 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 from time to time during the auction period considering the tentative allotment. Post auction, buyer has to communicate the buying price acceptable to them. Subsequently, trade confirmations would be issued to the successful bidders.

## Auction Purchase Basic Process

* + 1. Auction is conducted for a specified time period. The schedule of the same will be communicated prior to the eAuction date.
    2. Members will be provided with unique user id and password for participation.
    3. Sellers have to deposit predefined EMD (margin money) prior to participation into the NCDFI account to be eligible for participation.
    4. Anonymous price bidding would continue till completion of auction time for required quantity.
    5. The sellers need to quote offered quantity and price of product. This is the price at which seller is willing to offer the commodity. All the quoted prices on the portal are on FOR basis at the location provided by the Buyer.
    6. The bids of all sellers who have participated in the eAuction must remain valid for a period of 7 working days from the date of auction or as may be conveyed in the terms and conditions of the Buyer. The EMD of sellers who are tentatively allocated the quantities would be blocked during this period.
    7. The quoted prices for offered quantity would be conveyed to the Buyer on completion of auction and the Buyer will have an option to accept or reject the price bids partially or fully within the prescribed time limit.
    8. On receipt of Buyer confirmation, the trade confirmations would be issued.

## Auction Parameters

## Quality

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

## Delivery

For each auction a contract period date and location has to be specified while initiating the auction. Contract period date determines the product delivery based on pre-defined delivery time.

## Maximum Required Quantity (MRQ)

This is the maximum quantity buyer is willing to buy in the auction.

## Bidding Rounds

First bidding eAuction time is pre-configured as 15 minutes or as mentioned in the newsletter 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.

## Price Decrements

A minimum price decrement of 1 rupee per quintal will be maintained. Price quote would be in Rs/Quintal.

## Lot Size

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

## Clearing Price and Quantity

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

For example, in an Auction purchase for 1,000 MT Maize with a minimum bid quantity of 50 MT, participation of three bidders is illustrated below:

Maximum required quantity: 1,000 MT

|  |  |  |  |
| --- | --- | --- | --- |
| **Time** | **Bidder** | **FOR Bid Price  (₹ per quintal)** | **Bid Qty (MT)** |
| 09:00 | Bidder A | 1,400 | 1,000 |
| 09:05 | Bidder B | 1,399 | 700 |
| 09:27 | Bidder C | 1,398 | 600 |
| 09:29 | Bidder A | 1,380 | 600 |

In the above illustration, Bidder A would be awarded 600 MT of Maize at a price of ₹ 1,380 per qunital; and Bidder C would be awarded 400 MT of Maize at a price of ₹ 1,398 per kg. These allocations are tentative and subject to acceptance of Buyer.

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

*Option 1*: Buyer accepts the price of₹1,380 then Bidder A would beawarded 600 MT @ ₹ 1,380 while Bidder C will not get any allocation.

*Option 2*: Buyer accepts the price of₹1,398 then Bidder A would beawarded 600 MT @ ₹ 1,380 while Bidder C would be awarded 400 MT @ ₹1,398.

*Option 3*: Buyer does not accept the price of₹1,380 then the auction isfailed and there would be no allocation.

## Failed Auction

If the lowest quoted price bid is not acceptable to the buyer, then the auction will fail.

## Auction Purchase Bidding Rules

## Bid Quantity Rule

Bidder may maintain the same quantity and decrease the price or increase the quantity and decrease the price. Any such changes will be accepted only if there is decrease in total traded value.

## 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.

# 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.

# EMD / Margin and Advance Transaction Charges

Sellers need to deposit Margin/EMD which will also include advance transaction charges defined as a predefined value or a percentage to 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.

# Pre-Auction Rules

## Buyer Pre Auction Rules

## Auction Schedule Publication

The buyer shall provide list of auction to be conducted by entering maximum required quantity within the NCDFI prescribed days prior to auction date.

## Product Specification

The buyer shall provide product specification. All agri commodities traded on NCDFI eMarket shall be in conformance with the requirements of the: Food Safety and Standards Act, 2006 and the Regulations thereunder.

## Buy Details

The buyer shall enter details pertaining to the location, date of delivery and delivery period etc. prior to auction date.

## Bidders Pre Auction Rules

## 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.

## Margin Requirement

EMD is defined as a percentage of the traded value or as mentioned in the newsletter. 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.

# Post Trade Auction Fulfilment Rules

## Bidder Fulfilment

The winning bidders’ EMD will be blocked till he delivers commodity to the buyer within the delivery terms as specified in the commodity wise contract note. The EMD blocked of the winning bidder will be released on confirmation of buyer after deducting transaction charges.

## Buyer Fulfilment

* + 1. The buyer will timely confirm the supply status and EMD of seller will be released.
    2. The buyer will settle the fund obligation within the payment terms as defined in the supply agreement uploaded by buyer.
    3. The buyer after settling the funds obligation will intimate the NCDFI through NCDFI eMarket regarding the payment details.

* 1. In case no intimation is received from bidder and buyer 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 would be released.

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