

Annexure A

Brief outline of e-Auction process

Tea Auction is a means of disposing the teas produced by manufacturers to a wide range of buyers in a competitive manner for fair discovery of price. Public tea auctions have always played a key role as the main vehicle for primary marketing of tea in India. Public tea auctions handle only loose tea in bulk packages

The primary stakeholders of the auction system are

1. **Auction organisers**-Responsible for organising and conducting the auction at their respective auction centres.
2. **Sellers**- Sellers are the factories who manufacture tea from the green tea leaves. The teas of sellers are sold directly into the auctions at present.
3. **Buyers**- Buyers are the purchasers of teas sold into the auction.
4. **Brokers**- Brokers are 'auctioneers' of teas who sell tea on behalf of sellers at the auction centres. Brokers undertake various activities related to auction like, sampling & cataloguing of teas, fixation and modification of reserve price on behalf of sellers, pre and post sale documentation, collection and depositing taxes on behalf of producers, etc.
5. **Warehouses**- Warehouses are the places where teas to be sold in the auction are stored.

At present, auctions are being conducted across all the seven centres of the country on a Pan India basis i.e under a single rule of the Board known as "Pan India e-Auction Rule". For participating in auction process, all the stakeholders need to be registered with Tea Board. Apart from Tea Board registration, the sellers and brokers need to be registered with the auction centres where they would like to offer their teas. However, the buyers registered in one auction centre can participate in the bidding process of all the centres across the country.

An electronic auction system consist of three main activities i.e. Pre-auction, auction and Post auction activities.

Pre-Auction Activities:

- The sellers/manufacturers send their produce to warehouses for cataloguing their teas in the auction sale of the nearby auction centre.
- The brokers prepare and publish the auction catalogue within the stipulated time of a sale for a particular centre based on the arrival of teas marked for that centre.
- Brokers also collect samples from those teas for tasting and valuation purpose (base price and reserve price fixation).

Auction Activities

The teas so catalogued are auctioned on scheduled dates in respective auction centres for bidding by the buyers. Random auctioning of lots takes place on the auction day in different sessions. The lots are finally knocked down in the name of the highest bidder.

Post-Auction Activities:

After completion of auctions in a particular day, the successful bidders make full payments of the lots purchased based on the invoices raised on them by the sellers or brokers on behalf of the sellers and obtain the delivery order for taking physical delivery of the teas from the warehouses. The maximum time period available to a buyer for making payments is 13 days (Prompt Date). The amounts received by the sellers/brokers are then finally distributed to all beneficiaries (sellers, brokers, warehouses) in required proportion within next working day. The settlements of payments i.e. receipt and disbursement of auction proceeds takes place through a settlement bank designated for that centre.