



यूजेवीएन लिमिटेड

(उत्तराखण्ड सरकार का उपक्रम)

UJVNL Limited

(A Government of Uttarakhand Enterprises)

कार्यालय निदेशक (वित्त), "उज्जवल" महारानीबाग, जी०एम०एस०रोड, देहरादून-248006 (उत्तराखण्ड), दूरभाष- 7618191188 फैक्स- 0135-2763440
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CIN No. 40101UR2001SGC025866


ISO 9001 : 2008 Certified

No. 13/UJVNL/04/D(F)/O-01

Dated: 30.10.21

OFFICE MEMORANDUM

In compliance of decision taken by the Audit Committee in its 72nd meeting held on 26, March 2021 vide Agenda Item No. 72.04 regarding Bank Guarantee Policy of UJVNL Limited, the Audit Committee accorded approval to the Bank Guarantee Policy of UJVNL Limited. The copy of Bank Guarantee Policy is enclosed herewith for compliance.


(Sudhakar Badoni)
Director (Finance)

Cc:-

1. Managing Director, UJVNL Limited. Dehradun
2. Director (Operation/Project/HR), UJVNL Limited along with copy of Bank Guarantee Policy
- Copy to the following to download the copy of Bank Guarantee Policy from UJVNL Limited website:-
3. Executive Director (O&M)/(E&M)/(HR)/(Civil), UJVNL Limited along with copy of Bank Guarantee Policy
4. All General Managers, UJVNL Limited along with copy of Bank Guarantee Policy
5. All Dy. General Managers, UJVNL Limited along with copy of Bank Guarantee Policy
6. DGM (IT) to upload the copy of OM alongwith Bank Guarantee Policy on website of UJVNL Limited.
7. Company Secretary, UJVNL Limited.
8. I/c Sr. Law Officer (Status-DGM Legal), UJVNL Limited.
9. All Dy. CAO's, UJVNL Limited.
10. All EE's UJVNL Limited.

Policy on Bank Guarantees

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I. Acceptance & Recording

a) Acceptance

Nigam may accept Bank Guarantees (BGs) of scheduled commercial banks from contractors after verifying its authenticity and validity period against:

- i. Earnest Money Deposit or Security Deposit- As per the tender document.
- ii. Performance Guarantee given for fulfillment of contract- As per the tender document.
- iii. Adjustment of Mobilisation Advance- In case of Mobilisation Advances, Bank Guarantee should be at least 110% of the advance, so as to enable recovery of not only the principal amount but also the interest portion.

b) Verification & Confirmation

In order to verify the genuineness of the bank guarantee, the engineer of the contract should ensure that the name, designation and code numbers of the officer/officers signing the guarantees are available on the bank guarantee.

The engineer of the contract and Drawing and Disbursing Officer should also obtain the confirmation of the concerned banks about the genuineness of the guarantee issued by them as a measure of safety. Payment should be released only after receipt of such confirmation.

c) Recording

1) Manual Recording-

Bank guarantees so received as per the agreement will be captured during Purchase Order creation or subsequent event by the "Engineer of the contract" in a separate register. The details of bank guarantees i.e. serial No., BG number, Issuing Bank, authenticating bank employee code No., BG start date, expire date, amount, tender No., name of work, purchase order No., encashment date, renewal date and purpose are to be recorded. It should also be recorded in the register that genuineness, authenticity and validity period of the BG has been verified from the concerned Bank along with date of verification.

2) Recording in ERP

The Bank guarantee received and recorded by the Engineer of the contract as per c(i) above, will be captured in ERP as per following steps:

A separate field is provided in ERP Screen where Engineer of the contract will select "Yes" in the tab for Bank Guarantee while creating Purchase Order/subsequent event. Purchase order will not be released until the following details of BG are entered in respective purchase order in the ERP system:-

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- i) Name of the bank issuing BG
- ii) Address of the branch issuing BG
- iii) Authenticating Bank Employee code No.,
- iv) Bank Guarantee Number
- v) Nature of BG (Advance/Performance)
- vi) Bank Guarantee start Date
- vii) Bank Guarantee Expiry date
- viii) Date up to which claim can be lodged
- ix) Bank Guarantee Amount

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II. Monitoring & Responsibility

All Bank Guarantees invariably contain an over-riding clause that if a claim under the guarantee is not presented to the Bank within a specified period, reckoned from that expiration of the guarantee period, all claims of the Beneficiary shall be forfeited and the Bank shall be released and discharged from all obligations under the guarantee. This provision warrants alertness. For any negligence to present a claim within the specified period would severely damage the interest of the Nigam. To safeguard the interest of Nigam, the following procedure may be followed:

a) Custodian

Drawing and Disbursing Officer (DDO) of the concerned accounting unit will be custodian of physical guarantee submitted to him by the Engineer of the contract. Accounting unit of the concerned Drawing and Disbursing Officer (DDO) will ensure safe custody of physical guarantee and shall maintain the record of the same. However the ultimate responsibility for safe custody would lie with DDO.

b) Review/Monitoring

The engineer of contract, concerned Drawing and Disbursing Officer and attached accounting head of the unit shall ensure that all bank guarantees under their possession are reviewed monthly so that they can take suitable action in respect of each Bank Guarantee well before its validity period expires. The review undertaken should examine the validity of each and every bank guarantee as per the terms of agreement.

A record of each such review and physical verification of bank guarantees should be maintained and should be signed by the Engineer of the contract, Concerned Drawing and Disbursing Officer (DDO) and attached accounting head of the unit.

c) MIS from SAP

Profit centre wise report will be available in SAP-ERP which can be accessed by the concerned officers. Following details will be included in report:

- i) Name of the Bank issuing BG
- ii) Address of the branch issuing BG
- iii) Purchase Order No



- iv) Name of the office accepting BG
- v) Bank Guarantee Number
- vi) Nature of BG (Advance/Performance)
- vii) Bank Guarantee Start Date
- viii) Bank Guarantee Expiry Date
- ix) Bank Guarantee Amount
- x) Date of verification from Bank

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d) Notification/ reminders from SAP:-

Following notification/reminders will be available from SAP to assist the concerned officers for reviewing the Bank Guarantee:

- i) 1st reminder will be received via SAP inbox and email to the concerned Engineer of the contract and concerned Drawing and Disbursing Officer, 2 months before the date of BG expiry.
- ii) 2nd reminder will be received via SAP inbox and email to the concerned Engineer of the contract, concerned Drawing and Disbursing Officer & concerned GM, 1 month before the date of BG expiry. Simultaneously a pop-up shall also be flashed at their SAP ID at the time of receipt of reminder and email. Also, "a show cause notice for not sending letter of invocation/encashment before one month from the date of expiry of BG" should be served by engineer of the contract and DDO taking action for timely invocation/ renewal to the concerned contractor stipulating that in case renewed Bank Guarantee is not received before 7 days from the date of expiry, proceedings w.r.t. encashment of Bank Guarantee shall be initiated and expenditure incurred for encashment of Bank Guarantee shall be recovered from the contractor.
- iii) Daily reminder will be received 7 days before the Bank Guarantee expiry via SAP inbox and email to the concerned Engineer of the contract, concerned Drawing and Disbursing Officer, & concerned GM. Simultaneously a pop-up shall also be flashed at their SAP ID at the time of receipt of reminder and email.
- iv) However in case information/report/reminders are not available in SAP-ERP, action would have to be taken on the basis of physical register which would be maintained on real time basis. Non availability of information/report/reminders on SAP-ERP would not be an excuse for any lapse.

e) Renewal

On receipt of MIS report from ERP-SAP, the engineer of the contract shall request the contractor for renewal of BG well before its validity period expires at least 2 months before the expiry of BG submitted by them for the purpose as mentioned above. The reminders shall also be served upon the concerned contractor before 1 month & 15 days respectively, before the validity period of the Bank Guarantee expires stipulating that in the event of failure to renew the BG before 7 Days from the date of expiry, encashment proceedings will be started and expenses incurred by

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UJVN Ltd. towards encashment of such Bank Guarantee shall be recovered from the concerned contractor.

Further, the concerned contractor has to ensure the renewal of BG, if required, and submit to UJVNL well before the expiry of the said BG. However the ultimate responsibility for renewal would lie with Engineer of the contract.

f) Invocation & responsibility of timely encashment of BGs

i) Invocation-

In case the contractor fails to revalidate *and submit* the guarantee *7 days* before the period of expiry of the original bank guarantee, letter of encashment should forth with be served upon by the Engineer of the contract to bank immediately without further waiting for the receipt of the renewed guarantee.

The Engineer of the contract should also have obtained approval of concerned GM for encashment of BG well before its validity.

However if approval of the concerned General Manager or is not available or could not be obtained for any reason whatsoever, there would be no relaxation in the *7 days* period for serving the letter of encashment and ensuring the encashment from the concerned Bank. If renewal has not be done for any reason whatsoever, this would not affect the time line for encashment.

ii) Timely encashment of Bank Guarantee:

Encashment and timely renewal of the Bank guarantee within time, if the necessity so arises, will be responsibility of the engineer of the contract, Drawing and Disbursing Officer (DDO) and attached accounting head of the unit. However the ultimate responsibility for timely encashment would lie with Engineer of the contract.

Letter for renewal / encashment of Bank Guarantee should be sent by registered/speed post as well as by e-mail and through other electronic mediums namely whatsapp, fax etc.

Further details of all correspondences (in all modes) would be entered in physical register maintained as per clause I-C(1) along with respective dates. The date of encashment of Bank Guarantee would also be recorded in the register if the same has not been renewed already. In case of renewal, date of renewal would also be mentioned in the register.

g) Responsibility

Responsibility of Implementation of various provision of this policy shall rest with the Engineer of the contract, concerned Drawing and Disbursing Officer and attached accounting head of the unit. Henceforth, Engineer of the contract should ensure that the relevant clauses of this policy specially w.r.t. renewal and invocation shall be incorporated in the Bid Document of UJVN Ltd., stipulating that in the event of failure to renew the BG before 7 Days from the date of expiry, encashment proceedings will be started and expenses incurred by UJVN Ltd. towards encashment of such Bank Guarantee shall be recovered from the concerned contractor.

Irrespective of the provisions of this policy, all concerned officials shall ensure that the Nigam should not suffer any loss on account of Bank Guarantee accepted under the various contracts, otherwise responsibilities for the loss or damage occurred to the Nigam shall be fixed by the management.

