

Payment through letter of Credit as per RB L No : 2018/CE-I/CT/9 Dt. 04/06/2018

- i) For all the tenders having advertised cost of Rs 10 Lakh or above, the contractor shall have the option to take payment from Railways through a letter of credit (LC) arrangement.
- ii) This option of taking payment through LC arrangement has to be exercised in IREPS (Indian Railway Electronic Procurement System- The e- application on which tenders are called by Railways) by the tenderer at the time of bidding itself , and the tenderer shall affirm having read over and agreed to the terms and conditions of the LC option.
- iii) The option so exercised, shall be an integral part of the bidder's offer.
- iv) The above option of taking payment through LC arrangement, once exercised by the tenderer at the time of bidding shall be final and no change shall be permitted, thereafter, during execution of contract.
- v) In case tenderer opts for payment through LC, following shall be the procedure to deal release of payment through LC:
 - a. The LC shall be a sight LC.
 - b. The contractor shall select his advising/ negotiating bank for LC. The incidental cost towards issue of LC and its operation thereof shall be borne by the contractor.
 - c. SBI, New Delhi, Main branch will be the nodal branch for issue of LCs based on online requests received from Railway Accounts Units for tenders opened in the financial year 2018-19. SBI branches where the respective Railway Accounts Office has its Account (local SBI branch) will be the issuance/ reimbursing branch for LC issued under this arrangement. The bank shall remain same for this tender till completion of contract. The incidental cost @ 0.15% per annum of LC value, towards issue of LC and operation thereof shall be borne by the contractor and shall be recovered from his bills.
 - d. The LC shall be opened initially of 180 to 365 days in consultation with contractor. The LC shall be extended time to time as per the progress of the contract, on the request of the contractor. The value of LC to be opened initially as well as extended thereafter shall be finalized by the engineer in consultation with the contractor on the basis of expected progress of work.
 - e. The LC terms and conditions shall inter-alia indemnify and save harmless the Railway from and against all losses, claims and demands of every nature and description brought or recovered against the Railways by reason of any act or omission of the contractor, his agents or employees, in relation to the Letter of Credit(LC). All sums payable/ borne by Railways on this account shall be considered as reasonable compensation and paid by contractor.
 - f. The LC terms and conditions shall inter-alia provide that Railways will issue a Document of Authorization (format enclosed as Annexure 2) after passing the bill for completed work, to enable contractor to claim the authorized amount from their bank.
 - g. The acceptable, agreed upon document for payments to be released under the LC shall be the Document of Authorization.
 - h. The Document of Authorization shall be issued by Railway Accounts Office against each bill passed by Railways.
 - i. On issuance of Document of Authorization, a copy of Document of Authorization shall be posted on IREPS for download by the contractor. A digitally signed copy of document of Authorization shall also be sent by Railway Accounts Office to Railway's bank (Local SBI branch).

- j. The contractor shall take print out of the Document of Authorization available on IREPS and present his claim to his bank (advising Bank) for necessary payments as per LC terms and conditions. The claim shall comprise of copy of Document of Authorization, bill of exchange and Bill.
- k. The Payment against LC shall be subject to verification from Railway's Bank (Local SBI branch).
- l. The contractor's bank (advising bank) shall submit the documents to Railway's Bank (Local SBI Branch).
- m. The railway's bank (issuing bank) shall, after verifying the claim so received w. r. t. the digitally signed Document of Authorization received from Railway Accounts Office, release the payment to contractor's bank (advising bank) for crediting the same to contractor's account.
- n. Any number of bills can be dealt within one LC, provided the sum total of payments to contractor is within the amount for which LC has been opened.
- o. The LC shall be closed after the release of final payment including PVC amount, if any, to the contractor.
- p. The release of performance guarantee or security deposit shall be dealt directly by railway with the contractor i.e. not through LC.

Annexure 2

LCDA No (18 Digit IPAS Generated No)

Dated:

Document of Authorization

Reference: (i) Works Contract/ Service Contract No. Dated.....

(ii) Inland letter of Credit No.....Dated.....

This document is issued against contract No. (*From IREPS*)..... dated
for supply/ Work of (*DESCRIPTION OF GOODS/ WORK FROM IREPS*).....

The beneficiary of the aforementioned Letter of Credit M/s (*NAME AND VENDOR CODE*)..... (Vendor code as per IRPES) is entitled to receive payment, aggregating INR..... (*FROM ABSTRACT OF BILL PASSED*)..... out of a total LC amount of INR..... (*FROM MASTER TABLE or LC OPENED*)..... against the first/ second * commercial invoice no (*FROM IPAS*)..... dated (*FROM IPAS*)..... raised against the above contract from State Bank of India (*branch- FROM MASTER TABLE*)..... on the strength of this Certificate.

The details of payments already made to the beneficiary under this Letter of Credit are as follows:

SN	Invoice No	Invoice date	Invoice Amount (INR)	LCDA No.	LCDA date	Amount Paid (INR)
Total Paid						

THIS PAYMENT:

LC BALANCE AFTER THIS PAYMENT:.....

(Signature of authorized Railway Authority)

Name

Designation

Official seal

Annexure 1

Instructions for tenderers on LC mode of Payments

Scheme of Letter of Credit for Domestic Supplies (including all service and maintenance contracts) tenders, having estimated value of Rs 10 lakhs and above:

- a. All Tenders invited by Zonal Railways and Production Units, having estimated value of Rs 10 lakhs and above, shall have an option for the supplier/contractor to take payment from Railways through a letter of credit (LC) arrangement.
- b. The LC will be a sight LC.
- c. The bidder, at the time of bidding itself, shall exercise an option, in favour of taking payment due against the said tender, through LC arrangement. The option so exercised, shall be an integral part of the bidder's offer.
- d. Option once exercised shall be final and no change shall be permitted, thereafter, during execution of contract.
- e. The incidental cost @ 0.15% of LC value, towards issue of LC and operation thereof shall be borne by the supplier/contractor and shall be recovered from their bills.
- f. State Bank of India through its branches shall be the Banker for Railways for opening domestic letters of credit for ensuing year. The arrangement would cover all such contracts finalized against tender issued during the said period and shall extend till final execution of these contracts.
- g. The schedule of payment liability arising in the contract shall be established by the Railways based on the prescribed delivery schedule/stages of supply.
- h. The acceptable, agreed upon document for payments to be released under the LC so opened, shall be a Document of Authorization.
- i. The supplier/ contractor shall submit their bills for completed supply to the bill processing authority mentioned in supply/ contract agreement to issue Document of Authorisation to enable supplier/ contractor to claim the authorized amount from their Banker.
- j. Accounts Officer responsible for passing the claim will issue the Document of Authorization.
- k. The supplier/ contractor shall take print out of the Document of Authorisation available on IREPS portal and present his claim to his banker (advising bank) for necessary payments as per LC terms and condition. The claim shall comprise LC Document of Authorisation, Bill of Exchange and Invoice.
- l. The bank shall also recover any amount as may be advised by railway against the contractor/ supplier.
- m. The Contractor/Vendor shall indemnify and save harmless the Railway from and against all losses, claims and demands of every nature and description brought or recovered against the Railways by reason of any act or omission of the Contractor/Vendor, his agents or employees, in relation to the Letter of Credit (LC). All sums payable/borne by Railways on this account shall be considered as reasonable compensation and paid by Contractor/Vendor.