To
As per list attached

Sub: Inclusion of ‘Letter of Credit’ as Mode of Payment in Works Tenders or Service Tenders

Ref: (i) Railway Board’s letter No. 2017/AC-II/9/10 Pt 3 dated 09.05.18
(ii) Railway Board Letter No. 2017/AC II/9/10 Pt 1, dated 20.02.18

1. It has been decided by Board (MRS, MTR, ME, FC, CRB) that henceforth, all works tenders or service tenders invited by railways through e-tendering on IREPS, having advertised value of Rs 10 lakh and above, shall include in tender conditions, an option for the contractor to take payment from Railways through a letter of credit (LC) arrangement.

2. As such, following special conditions shall be included in the works tenders or service tenders to be invited henceforth:

   (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 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 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 for duration 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 finalised 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 Authorisation (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 Authorisation.

(h) The Document of Authorisation shall be issued by Railway Accounts
Office against each bill passed by Railways.

(i) On issuance of Document of Authorisation, a copy of Document of
Authorisation shall be posted on IREPS for download by the
contractor. A digitally signed copy of Document of Authorisation
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 Authorisation
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 Authorisation, 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 the 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 Authorisation 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.

3. For opening of LC, executive department shall make a request letter to concerned Accounts Department on a format, placed as Annexure – 1.

4. Necessary changes in IREPS and IPAS e-applications have already been carried out, for having option for payment to contractors through LC.

5. This issues with the concurrence of Finance Directorate of Ministry of Railways.

New Delhi, Dated 04.06.2018

[Signature]

For Financial Commissioner/Railways

Copy: MD/CRIS for information and necessary action.
LIST FOR DISTRIBUTION

1. General Managers, All Indian Railways & Production Units.
1a. General Manager (Con), N.F. Railway, Guwahati.
1b. General Manager /CORE, Allahabad.
2. Principal Chief Engineers, All Indian Railways.
3. Chief Administrative Officers (Con), All Indian Railways.(Except N.F. Railway)
4. PFAs All Indian Railways.
5. Chief Vigilance Officers, All Indian Railways.
6. CAO, COFMOW, Tilak Bridge, New Delhi.
7. CAO(R), Diesel Loco Modernisation Works, Patiala(Punjab).
8. CAO, Rail Coach Factory/Rae Bareli Project, Kishanganj, Delhi -110007.
9. CME, IROAF, 12th Floor, Core-I, Scope Minar, Distt. Centre, Laxmi Nagar, Delhi- 110092
10. CAO (Workshop Projects), Chamber Bhawan, Judge’s Court Road, Anà Ghat, Patna-800001, Bihar.

Copy to:

(A)

1. Director General, RDSO, Manak Nagar, Lucknow.
2. Director General, Railway Staff College, Vadodara
3. Director, IRICEN, IREEN, IRIMEE, IRISIT, RPF Academy.

(B)

1. MD, DMRC, Metro Bhawan, 13, Fire Bridge Lane, Barakhamba Road, New Delhi- 110 001.
2. MD, CONCOR, Concor Bhawan, C-3, Mathura Road, Opp. Apollo Hospital, New Delhi-110076.
3. IRCON International Limited, C-4, District Centre, Saket, New Delhi- 110017
4. MD, RITES Ltd., RITES Bhawan, Plot No.1, Sector-29, Gurgaon.
5. MD, RVNL, August Kranti Bhawan, Plot No.25, 1st Floor, Bhikaji Cama Place, New Delhi.
6. MD, MRVC Ltd., Churchgate Station Bldg, Mumbai- 400020
7. MD, KONKAN Railway Corporation Ltd, Rail Bhawan, New Delhi-110001.
8. MD, DFCCIL, 5th Floor, Pragati Maidan Metro Station Building Complex, New Delhi-110001
9. MD, RLDA, Near Safdarjung Railway Station, Moti Bagh, Phase-I, New Delhi- 110021
10. MD, CRIS, Chanakyapur, New Delhi.
11. CMD, RailTel Corporation of India Ltd. Plot No. 143, Institutional Area, Sector-44, Gurgaon – 122003.

Copy to:

CRB, ME, MT, M(Tr.), M(RS), FC, DG(S&T), DG(RS), DG(RHS), DG(RPF), AM(CE), AM(Works), AM(B), AM(Elec.), AM(RS), PED(Projects), PED/SDE, PED(Bridges), PED(Vigilance), PED/Transformation, EDCE(P), EDTK(M), EDTK(MC), EDTK(P), EDCE(B&S), EDF(X)-I, EDF(X)-II, ED(Works), EDW(Plg.), ED/Project(Mon.), ED(L&A), ED/SDE, ED(PSU).
Annexure -1

Request letter from Executive branch to Accounts Office for opening of LC

Office of----
----Railway

No. ___________________________                          Dated ____________

The PFA/ Sr.DFM/ Dy. FA
HQ/ Division/ Workshop/ Cost

Sub: Opening of LC
Ref: Supply Order/ Contract Agreement No.

***

It is requested to open a sight LC against the above referred Order/ Agreement in favour of

___________. The details of beneficiary are as under:

(i) Name of Contractor/Supplier
(ii) Vendor Code
(iii) Address
(iv) Tender No.
(v) Contract Agreement No.
(vi) Description of Goods/ Service
(vii) Value of Contract
(viii) Stages of payment
(ix) Expected payment within 6 months (LC Amount)
(x) Beneficiary bank details:
  a) Bank name
  b) Address
  c) Account No.
  d) IFSC code

It is certified that the supplier/ contractor has exercised the option of taking payment due
against the tender, through LC arrangement in IREPS portal at the time of bidding itself and the
option has been flagged in the IREPS. This has the approval of _________.

(xi) Validity/ Period for which LC is to be opened.

(Signature)
Name: ____________
Designation: ____________
(Official Seal)

[Signature]
Poorni Sagar
Annexure-2

LCDA No. (18 DIGIT IPAS GENERATED NO.)
Dated: ________________

DOCUMENT OF AUTHORIZATION

Reference: (i) Works Contract/ Supply 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 IPES...) is entitled to receive payment, aggregating INR...$S$...(FROM ABSTRACT OF BILL PASSED)... out of a total LC amount of INR...(FROM MASTER TABLE OF LC OPENED)... against the first/second* commercial Invoice No.(FROM IPAS) _______ dated _______ FROM IPAS ___ for INR(FROM IPAS )-------- raised against the above contract from State Bank of India----(branch-FROM LC 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:

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<th>S. No.</th>
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<th>Invoice Amount (INR)</th>
<th>LCDA No.</th>
<th>LCDA date</th>
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Total Paid

THIS PAYMENT: $SS$

LC BALANCE AFTER THIS PAYMENT: ________

(Signature of authorised Railway authority)
Name
Designation
Official Seal

[Signature]

[Seal]