Sub.: Implementation of payment through Letter of Credit (LC) as option in domestic Supply contracts.

   ii. Railway Board's letter No. 2017/AC-II/9/10 Pt 3 dated 09.05.2018 (RBA No. 48/2018)

1.0 Railway Board vide letters under reference, has communicated the decision of Ministry of Railways that henceforth, all Tenders invited by Zonal Railways and Production Units, both for Supplies/Works (including all service and maintenance contracts), having estimated value of Rs 10 lakhs and above, shall include in tender conditions, an option for the supplier/contractor to take payment from Railways through a letter of credit (LC) arrangement. Accordingly inter-alia conditions indicated in Annexure 1 should be made part of the tender and contract conditions.

2.0 The Banker for Railways for the ensuing one year, for opening domestic letters of credit shall be State Bank of India through its branches. The arrangement would cover all such contracts finalized against tender issued in the said year and shall extend till final execution of these contracts.

3.0 The schedule of payment liability arising in the contract shall be established by the Railways based on the prescribed delivery schedule/stages of supply/work, in consultation with supplier/contractor.

4.0 Opening of LCs
   a) In the case of those contracts, which have been finalized on IREPS, and selected contractor/vendor has exercised option of payment through Letter of Credit, the nominated officers of Executives Department concerned, shall send request letter to Associate Accounts Office in prescribed format (Annexure-2) and Accounts Office will open the LC accordingly on the e-portal of SBI.

   b) The request letter will indicate the stage wise payment expected and the initial LC amount will correspond to first stage of payment. The SBI will raise LC opening charges on Railways accordingly. The concerned Executives Department officers are expected to exercise full due diligence while settling the amount of Letter of Credit. This amount will be amended as the contract/supply progresses. Since the ultimate charges are to be borne by contractor/vendor, consultation as necessary may be recorded.

   c) The request for opening of LC shall be made under maker-checker protocol. The maker makes the request, which is validated and approved by the checker. Both the makers and checkers shall be from Accounts Department only.

5.0 CRIS will provide suitable system on IREPS, wherein the vendor opting for payments through Letter of Credit, should be prompted to unconditionally accept special tender conditions relating specifically to payments through Letter of Credit (Annexure 1).

6.0 This is issued with the concurrence of Finance Directorate of Railway Board.

(Anshu Malik)
Jt. Dir. Rly. Stores(G)
Railway Board
No. 2018/RS(G)/779/4

1. PFAs, All Indian Railways & Production Units
2. The ADAI(Railways), New Delhi
3. The Directors of Audit, All Indian Railways

for Financial Commissioner / Railways

No. 2018/RS(G)/779/4

1. PCMMs, PCEs, PCMEs, PCEEs, PCSTEs, All Indian Railways & PUs, RCF/RBL/NDLS, COFMOW, CORE, WPO and RWP/Bela
2. The Directors—
   a) Indian Railway Institute of Sig. Engg. & Telecom, Secunderabad
   b) Indian Railway Institute of Mech. & Elec. Engg., Jamarlpur
   c) Indian Railway Institute of Elect. Engg., Nasik
   d) Sr. Prof. (Material Management), NAIR, Vadodara
   e) Indian Railway Institute of Civil Engg., Pune
   f) Indian Railway Institute of Traffic Management, Lucknow
3. MD, CRIS, Chanakya Puri, New Delhi
4. MD, RITES, RITES Bhavan, Sector-29, Gurugram
5. Director, Iron & Steel, 3, Koilaghat Street, Kolkata
6. Executive Director (Stores), RDSO, Lucknow
7. Chief Commissioner, Railway Safety, Lucknow
8. Zonal Railway Training Institute, Sukadla Circle, Udaipur

(Anshu Malik)
Jt. Dir. Rly. Stores(G)
Railway Board

No. 2018/RS(G)/779/4

Copy to:

1. The Genl. Secy., AIRF, Room No. 248, & NFIR Room No. 256-C, Rail Bhavan
2. The Secy. Genl., IRPOF, Room No. 268, FROA, Room No. 256-D & AIRPFA, Room No. 256-D Rail Bhavan

(Anshu Malik)
Jt. Dir. Rly. Stores(G)
Railway Board

Copy to:- Sr. PPSs / PPS / PS to:

1. MR, MoS(S), MoS(G)
2. CRB, FC, ME, MTR, MRS, MS, MT, SECY., DG(RS), DG(S&T),DG(Personnel),DG (RHS), DG (RPF)
3. All AMs, Advisors & Executive Directors of Railway Board
Instructions for tenderers on LC mode of Payments

Annexure 1

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.
Format of 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 Supply Order/ Contract 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) Validity Period of LC
(x) Expected payment within 6 months (LC Amount)
(xi) 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 ___________.

(Signature)
Name: ___________
Designation: _______
(Official Seal)