

DNH Power Distribution Corporation Limited
(A Govt. of India Enterprise)
Vidyut Bhavan, Near Secretariat, Amli, Silvassa - 396230.

DNHPDCL/F&A/BG/2018-19/01 3659

26/12/2018

Subject: Standard Procedure for acceptance and verification of the Bank Guarantee

1. Introduction

With a view to streamline the existing practices and procedures related to format, eligible banks for acceptance, procedure for acceptance, verification, custodian and monitoring of Bank Guarantee (BG), there is need felt that a standard operating procedure (SOP) related to Bank Guarantee to be formulated for implementation, which also includes the roles and responsibilities of the official involved in the handling of such matter in the DNHPDCL (hereinafter referred as Corporation). For the purpose of this SOP, Bank Guarantee (BG) comprise (a) performance guarantee (PG) received in reference to works / purchase contract, (b) guarantee received against tender documents and (c) financial guarantees (FG) received as security deposit. The SOP related to Bank Guarantee would be implement from the date of approval by the Competent.

2. Standard Operating Procedure

The following standard operating procedures are being prescribed for its adherence during the course of acceptance and verification of BG in the Corporation.

The BG would be accepted in the prescribed format as attached as Annexure – A/1 (Security Deposit from electricity Consumers), A/2 (Performance Guarantee from Contractors) and A/3 (Guarantee in Tender Documents for Earnest Money) of this SOP. The wording of the BG should be exactly the same as prescribed in the format. The appointed officials of contract section / Billing section (as appointed by respective Officer-in-Charge) will be responsible for the proof reading of the submitted BG. If the submitted BG is not as per the prescribed, the said guarantee should be returned bank to respective bank and also informed to respective customer within a period of 4 days for necessary compliances specifically mentioning the short comings in writing.

If the BG is generated through Structured Financial Messaging System (SFMS) platform, then, the consumer will directly submit the hard copy of the BG clearly indicating 'COPY ONLY' on the BG. The said guarantee would be subject matter of process as mentioned in Point (i) above.



- i) The BG issued by the specified banks by the Corporation i.e. scheduled commercial banks such as Public Sector Bank, Private Bank - Indian and Private Bank – Foreign would be accepted by the Corporation. The BG issued by scheduled State Cooperative Bank, scheduled Urban Cooperative Bank and scheduled Gramin Banks will not be accepted on the reason that there is practical problems to monitor the credit risk associated with these banks. The list of the specified banks is given in the Annexure – B of this SOP. Any existing BG accepted previously from scheduled State Cooperative Bank, Urban Cooperative Bank or Gramin Bank will be discontinued after completion of its validity period by issuing letter to the consumer and asking BG from eligible banks.
- ii) The BG issued by the respective bank directly to the Corporation is to be accepted. This mechanism would not be applicable, if the BG is issued through SFMS platform. Further, the completeness of BG such as signature of bank official, name of bank official, stamp of issuing bank branch, date of its issuance, the code of the bank official, the validity and claim period is clearly / properly mentioned on the BG. In case any discrepancy is noticed during the review of the BG and the discrepancy is material such as non-signature, signature without name / bank stamp, then the same procedure and time period as mentioned in Point 2 (i) above may be complied with.
- iii) If the submitted BG is found as acceptable, then with a period of 4 days from its receipts, the same would be forwarded to accounts section for its necessary verification. The said BG would be submitted through a forwarding letter by enclosing a photo copy of the BG.
- iv) After receiving letter from the billing section / contract section, the account section will adopt the following procedure to verify the genuineness / authenticity of the BG received on behalf of the banker;
- a) The accounts group will send a letter for its verification to the issuing bank directly through the registered post. The sample letter to be issued in this regard is attached as Annexure C. The copy of the submitted BG should invariably be attached with the letter. Further, the issuing bank should be requested to submit the verification letter along with attested copy of the BG.
- b) The said verification letter should also be submitted through the process of email. In this regard, it may be ensured that the e-mail should be sent to the bank URL address / mail id of the respective bank.



- c) If the said BG has been issued through SFMS system, then the advising bank (banker of the Corporation) will be requested to take print out the BG on Stamp Paper of required value / by paying the required Stamp Duty by other means and then deliver the BG to the Corporation. After receiving the said bank guarantee in such a manner, there would not be any requirement to verify the said BG. The original BG received from the Corporation banker by the account section shall be forwarded to billing section for keeping in safe custody. In this regard, it is being clarified the charges of stamp paper is not required to be borne by the Corporation.
- d) The process of the verification of BG is required to be completed with a period of 15 days after the receipt of letter from the billing section / contract section for BG verification.
- e) After the receipt of verification letter from the banker of the respective BG, the account group will send a confirmation to billing section / contract section immediately. The process mentioned and 2(v) (d) and (e) would not be applicable, if the BG is obtained through SFMS system. In case the BG is generated by the advising bank (i.e. banker of the Corporation) on the stamp paper, the account section would forward the original BG received from the Bank to the billing section.
- v) If the original BG issued by any banker is extended for another period by the means of extension letter. The issued extension letter would also be subject matter of verification process as explained in the Point 2 (v) above.
- vi) All the BG would be kept under the safe custody of billing section and will be subject matter of monthly review to monitor the BGs, which are going to lapse / expire in the next 3 months. A renewal letter in respect of said BG is to be issued to the respective consumer and he may be asked to submit the required BG with a period of 30 days after the receipt of letter. The said letter should be issued with an instruction that (a) BG issued by the designated scheduled bank as attached with the letter and (b) BG processed through SMSF system would only be accepted. Further, it would also be clearly mentioned that if the required BG is not submitted with a period of 30 days, the supply of the electricity would be discontinued on the last date of BG expiration and further to secure the last month billing a claim would be made to the respective bank.
- vii) The consumer is required to submit the BG at least 45 days before the end of the validity. If the BG is not extended / submitted before the period of 45 days before the end of last date of existing BG, the process of discontinuation of supply of electricity as mentioned in para 2 (vii) above should be initiated to discontinue the supply of electricity on the last date of BG expiration .



viii) The above SOP would also be applicable for the BG accepted towards the works / purchase contract or towards the NIT as earnest money. The format of the said BG is prescribed with the Annexure A (second and third format). The roles and responsibilities of the billing section as prescribed in the said SOP will be discharged by the respective contract handling authority / section.


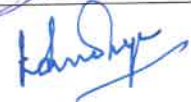



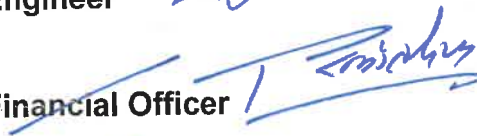

3. The above guidelines may be followed as per the manner as stated above. Any deviation to the prescribed procedure would be subject matter of the specific approval of MD, DNHPDCL.

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