

BANK GUARANTEE FOR SUPPLY FREE ISSUE MATERIAL

Bank Guarantee No:

Date:

To
NAME
& ADDRESSES OF THE BENEFICIARY

Dear Sirs,

In consideration of Bharat Heavy Electricals Limited¹ (hereinafter referred to as the 'Employer' which expression shall unless repugnant to the context or meaning thereof, include its successors and permitted assigns) incorporated under the Companies Act, 1956 and having its registered office at _____¹ through its Unit at.....(name of the Unit) having awarded to.....² (Name of the Vendor / Contractor / Supplier), with its registered office at _____² (hereinafter called "the Vendor/Contractor/Supplier" which expression shall include its successors and permitted assigns) a contract Ref No.....dated³valued at Rs.....(Rupees -----) /FC.....(in words.....) for⁴(hereinafter called the 'Contract')

AND WHEREAS the Employer having agreed as per the terms and conditions of the Contract to supply free issue material costing Rs._____ for the manufacture/fabrication of the equipment at the 'Contractor/Supplier/Fabricator's' site on furnishing of a Bank Guarantee for Rs./FC_____ (Rupees/FC.....)⁵ in the manner hereinafter specified for the due safeguard of the free issue material,

we,, (hereinafter referred to as the Bank), having registered/Head office at and inter alia a branch at being the Guarantor under this Guarantee, hereby irrevocably and unconditionally undertake to forthwith and immediately pay to the Employer any sum or sums upto a maximum amount but not exceeding Rs/FC ----- (Rupees/FC -----) without any demur, merely on a demand from the Employer and without any reservation, protest and recourse and without the Employer needing to prove or demonstrate reasons for its such demand.

Any such demand made on the Bank shall be conclusive as regards the amount due and payable by the Bank under this guarantee. However, our liability under this guarantee shall be restricted to an amount not exceeding Rs. _____.

We undertake to pay to the Employer any money so demanded notwithstanding any dispute or disputes raised by the 'Contractor/Supplier/Fabricator' in any suit or proceeding pending before any Court or Tribunal or Arbitrator or any other authority, our liability under this present being absolute and unequivocal.

The payment so made by us under this Guarantee shall be a valid discharge of our liability for payment hereunder and the 'Contractor/Supplier/Fabricator' shall have no claim against us for making such payment.

We theBank further agree that the guarantee herein contained shall remain in full force and effect during the period that would be taken for the performance of the said Contract and till the reconciliation of the free issue material has been carried out and that it shall continue to be enforceable till all the dues of the Employer under or by virtue of the said Contract have been fully paid and its claims satisfied or discharged.

We Bank further agree that the Employer shall have the fullest liberty without our consent and without affecting in any manner our obligations hereunder to vary any of the terms and conditions of the said Contract or to extend time of performance by the said 'Contractor/Supplier/Fabricator' from time to time or to postpone for any time or from time to time any of the powers exercisable by the Employer against the said Contractor/Supplier/Fabricator and to forbear or enforce any of the terms and conditions relating to the said Contract and we shall not be relieved from our liability by reason of any such variation, or extension being granted to the said 'Contractor/Supplier/Fabricator' or for any forbearance, act or omission on the part of the Employer or any indulgence by the Employer to the said 'Contractor/Supplier/Fabricator' or by any such matter or thing whatsoever which under the law relating to sureties would but for this provision have effect of so relieving us.

The Bank also agrees that the Employer at its option shall be entitled to enforce this Guarantee against the Bank as a principal debtor, in the first instance without proceeding against the Contractor/Supplier/ Fabricator and notwithstanding any security or other guarantee that the Employer may have in relation to the Contractor's/Supplier's/ Fabricator's liabilities.

This Guarantee shall remain in force upto and including.....⁶ and shall be extended from time to time for such period as may be desired by Employer.

This Guarantee shall not be determined or affected by liquidation or winding up, dissolution or change of constitution or insolvency of the Contractor/ Supplier/ Fabricator but shall in all respects and for all purposes be binding and operative until payment of all money payable to the Employer in terms thereof.

Unless a demand or claim under this guarantee is made on us in writing on or before the⁷we shall be discharged from all liabilities under this guarantee thereafter.

We, BANK lastly undertake not to revoke this guarantee during its currency except with the previous consent of the Employer in writing.

Notwithstanding anything to the contrary contained hereinabove:

- a) The liability of the Bank under this Guarantee shall not exceed.....⁵
- b) This Guarantee shall be valid up to⁶
- c) Unless the Bank is served a written claim or demand on or before⁷ all rights under this guarantee shall be forfeited and the Bank shall be relieved and discharged from all liabilities under this guarantee irrespective of whether or not the original bank guarantee is returned to the Bank.

We, _____ Bank, have power to issue this Guarantee under law and the undersigned as a duly authorized person has full powers to sign this Guarantee on behalf of the Bank.

For and on behalf of
(Name of the Bank)

Dated.....

Place of Issue.....

¹ NAME AND ADDRESS OF THE EMPLOYER. i.e Bharat Heavy Electricals Limited

² NAME AND ADDRESS OF THE CONTRACTOR / SUPPLIER/ FABRICATOR .

³ DETAILS ABOUT THE NOTICE OF AWARD/CONTRACT REFERENCE

⁴ PROJECT/SUPPLY DETAILS AND CONTRACT VALUE

⁵ BG AMOUNT IN FIGURES AND WORDS

⁶ VALIDITY DATE

⁷ DATE OF EXPIRY OF CLAIM PERIOD

Note:

1. Units are advised that expiry of claim period may be kept 3-6 months after validity date. It may be ensured that the same is in line with the agreement/ contract entered with the Vendor.
2. The BG should be on Non-Judicial Stamp paper/e-stamp paper of appropriate value as per Stamp Act prevailing in the State(s) where the BG is submitted or is to be acted upon or the rate prevailing in the State where the BG was executed, whichever is higher. The Stamp Paper/e-stamp paper shall be purchased in the name of Vendor/Contractor/Supplier /Bank issuing the guarantee.
3. In line with the GCC, SCC or contractual terms, Unit may carry out minor modifications in the Standard BG Formats. If required, such modifications may be carried out after taking up appropriately with the Unit/Region's Law Deptt.

4. In Case of Bank Guarantees submitted by Foreign Vendors-

- a. **From Nationalized/Public Sector / Private Sector/ Foreign Banks (BG issued by Branches in India)** can be accepted subject to the condition that the Bank Guarantee should be enforceable in the town/city or at nearest branch where the Unit is located i.e. Demand can be presented at the Branch located in the town/city or at nearest branch where the Unit is located.
- b. **From Foreign Banks (wherein Foreign Vendors intend to provide BG from local branch of the Vendor country's Bank)**
 - b.1 In such cases, in the Tender Enquiry/ Contract itself, it may be clearly specified that Bank Guarantee issued by **any of the Consortium Banks only** will be accepted by BHEL. As such, Foreign Vendor needs to make necessary arrangements for issuance of Counter- Guarantee by Foreign Bank in favour of the Indian Bank's (BHEL's Consortium Bank) branch in India. It is advisable that all charges for issuance of Bank Guarantee/ counter- Guarantee should be borne by the Foreign Vendor. The tender stipulation should clearly specify these requirements.
 - b.2 **In case, Foreign Vendors intend to provide BG from Overseas Branch** of our Consortium Bank (e.g. if a BG is to be issued by SBI Frankfurt), the same is acceptable. However, the procedure at **sl.no. b.1** will required to be followed.
 - b.3 The BG issued may preferably be subject to Uniform Rules for Demand Guarantees (URDG) 758 (as amended from time to time). The BG Format provided to them should clearly specify the same.