

Ministry of Defence
[Acquisition Wing Secretariat]

**Subject: Amendment to Defence Procurement Procedure (DPP) 2016-
Revision of Bank Guarantee formats for Capital Acquisitions.**

As per the provisions of Defence Procurement Procedure (DPP) 2016, the following Bank Guarantees are required to be furnished by the Seller to the Buyer for Defence Capital Acquisition cases:

- (i) Bank Guarantee for Advance
- (ii) Performance cum Warranty Bank Guarantee (PWBG)
- (iii) Integrity Pact Bank Guarantee (IPBG)
- (iv) Additional Bank Guarantee for Essential Parameters-B cases.

2. In order to reinforce the right of Ministry of Defence as Buyer and protect its interests in the event of invocation of Guarantee on account of breach of contractual provisions (refer para 1 & 2 of BG formats for Advance, paras 2 & 4 of Performance cum Warranty and paras 2 & 3 of Essential Parameters B cases) and also to cater for progressive reduction of the value of Bank Guarantee against stage payments released by the Buyer for shipment/services made by the Seller, as required under DPP provisions on presentation of payment documents to the banks it has been decided to revise the abovementioned four Bank Guarantee formats in the DPP 2016.

3. Consequent upon approval of Raksha Mantri, the revised formats of the following four Bank Guarantees are circulated for information and necessary action.

- (i) Bank Guarantee for Advance -**Annexure-I**
- (ii) Performance cum Warranty Bank Guarantee (PWBG)-**Annexure-II**
- (iii) Integrity Pact Bank Guarantee (IPBG)-**Annexure-III**
- (iv) Additional Bank Guarantee for Essential Parameters-B cases-**Annexure-IV.**

4. The above Bank Guarantee formats shall come into effect immediately.

Encl. As above


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CISC	VCOAS	VCNS	VCAS	DG(CG)
AS(R)	AS(J)	AS(DP)	AS&FA(Acq)	CGDA
JS&AM(LS)	JS&AM(MS)		JS&AM(Air)	
FM(LS)	FM(MS)		FM(Air)	
TM(LS)	TM(MS)		TM(Air)	

Copy to:-

- (i) Director, RM office
- (ii) PS to RRM
- (iii) SO to Defence Secretary
- (iv) PPS to Secretary(DP)
- (v) PPS to Secretary(R&D)
- (vi) PPS to FA(DS)
- (vii) PS to DG(Acq)

Copy also to:-

- (i) Director, NIC, MoD
 - (ii) US, IT, MoD
- } with the request to get the above revision uploaded on the MoD website www.mod.nic.in immediately.

BANK GUARANTEE FORMAT FOR ADVANCE

To

The _____
Ministry of _____
Government of India

_____ (complete postal address of the beneficiary)

1. "Whereas President of India represented by the _____ Ministry of _____ Government of India (hereinafter referred to as Buyer) have entered into a contract No. _____ (No. of contract), dated _____ (Date of Contract) with M/s _____ (Name of Seller) (referred to as Seller) and whereas according to the said Contract the Buyer has undertaken to make an advance payment of Rs. _____ being payment of _____ % of the total value of Rs. _____ of the said Contract, against issuance of an advance guarantee by a bank."

2. We _____ (indicate the name of the bank) do hereby undertake to pay the amounts due and payable under this guarantee without any demur, merely on a demand from the Buyer intimating that the Seller is in breach of the contractual obligations stipulated in the said Contract. 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 total liability under this guarantee shall be restricted to an amount not exceeding Rs. _____.

3. We undertake to pay to the Buyer any money so demanded notwithstanding any dispute or disputes raised by the Seller in any suit or proceeding pending before any Court or Tribunal relating thereto our liability under this present being absolute and unequivocal. The payment so made by us under this bond shall be valid discharge of our liability for payment there under and the Seller shall have no claim against us for making such payment.

4. We, 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 that it shall continue to be enforceable till all the dues of the Buyer under or by virtue of the said Contract have been fully paid and its claims satisfied or discharged or till _____ office / Department / Ministry of _____ certifies that the terms and conditions of the said Contract have been fully and properly carried out by the said Seller and accordingly discharges this guarantee.

5. We, further agree with the Buyer that the Buyer 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 Seller from time to time or to postpone for any time or from time to time any of the powers exercisable by the Buyer against the said Seller 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 Seller or for any forbearance, act or omission on the part of the Buyer or indulgence by the Buyer to the said Seller or by any such matter or thing whatsoever which under law relating to sureties would, but for this provision, have effect of so relieving us.

6. The amount of this guarantee will be progressively reduced by (percentage of advance) _____ of total value of each part shipment/services against the stage payment released by the Buyer for that shipment/services made by the Seller and presentation to us of the payment documents.

7. This guarantee will not be discharged due to the change in the constitution of the bank or the Buyer/Seller.

8. We, undertake not to revoke this guarantee during the currency except with the previous consent of the Buyer in writing.

9. Notwithstanding anything contained herein above:-

- (a) Our liability under this Guarantee shall not exceed Rupees _____ (in words) _____
- (b) This Bank Guarantee shall remain valid until _____ (hereinafter the expiry date of this guarantee) the Bank Guarantee will cease to be valid after _____ irrespective whether the Original Guarantee is returned to us or not.
- (c) We are liable to pay guaranteed amount or any part thereof under this Bank Guarantee only and only if you serve upon us a written demand or a claim in writing on or before _____ (Expiry Date).

Dated the _____ day of _____ (month and year)

Place:

Signed and delivered by _____ (Name of the bank)

Through its authorised signatory

(Signature with seal)

BANK GUARANTEE FORMAT FOR PERFORMANCE-CUM-WARRANTY BOND

To

The _____
Ministry of _____
Government of India

_____ (complete postal address of the beneficiary)

Dear Sir,

1. Whereas President of India represented by the _____ Ministry of _____, Government of India (hereinafter referred to as BUYER) have entered into a contract No. _____ dated _____ (hereinafter referred to as the said contract) with M/s. _____ (hereinafter referred to as the SELLER) for supply of goods as per contract to the said BUYER and whereas the SELLER has undertaken to produce a bank guarantee amounting to Rs. _____ which is 10% of the contract value in aggregate which will cover 5% of total contract value each for Performance and Warranty, to secure its obligations towards Performance-cum-Warranty to the Buyers.

2. We, the _____ bank hereby expressly, irrevocably and unreservedly undertake the guarantee as principal obligors on behalf of the SELLER that, in the event that the BUYER declares to us that the amount claimed is due by way of loss or damage caused to or would be caused or suffered by the BUYER by reason of breach/failure to perform by the said SELLER of any of the terms and conditions in the contract related to Performance and Warranty clauses, we will pay you, on demand and without demur, all and any sum up to (5% of total Contract value) _____ Rupees only at any one instance and 10% of total contract value in aggregate (Rupees ----- only) under this Guarantee. Your written demand shall be conclusive evidence to us that such repayment is due under the terms of the said contract. We shall not be entitled to ask you to establish your claim or claims under this guarantee but will pay the same forthwith without any protest or demur. We undertake to effect payment upon receipt of such written demand.

3. We shall not be discharged or released from the undertaking and guarantee by any arrangements, variations made between you and the SELLER, indulgence to the SELLER by you, or by any alterations in the obligations of the SELLER or by any forbearance whether as to payment, time performance or otherwise.

4. We further agree that any such demand made by the Buyer on the Bank shall be conclusive, binding, absolute and unequivocal notwithstanding any difference or dispute or controversy that may exist or arise between you and the Seller or any other person.

5. In no case shall the amount of this guarantee be increased.

6. This Performance-cum-Warranty guarantee shall remain valid for a period until three months beyond the warranty period as specified in the contract i.e. upto _____.

7. Subject to the terms of this Bank Guarantee, the issuing bank hereby irrevocably authorizes the beneficiary to draw the amount of upto Rs. _____ (5% of total contract value) for breach/failure to perform by the Seller of any of the terms and conditions of the contract related to performance clauses provided that upon invocation and payment of each such claimed amount, issuing bank undertakes to reinstate the amount drawn without any requirement for notice, amendment or other formality, so that, subject to the other terms and conditions hereof, at all times prior to the Expiration Date, Rs. _____ ("Guaranteed Amount" i.e. 5% of the total contract value) shall be available for drawing by the Beneficiary hereunder to meet the obligations of the said guarantee for the Warranty clauses. Notwithstanding anything mentioned herein above, the total drawings under the Guarantee by the BUYER shall not exceed 10% of the total contract value (Rs _____ only). Partial drawings and multiple drawings under this Bank Guarantee are allowed within the above stated cumulative amount subject to each such drawing not exceeding 5% of the total contract value (Rs. _____ only) (Mention BG amount).

8. This guarantee shall be continuing guarantee and shall not be discharged by any change in the constitution of the Bank or in the constitution of M/s_____. We undertake not to revoke this guarantee during the currency except with previous consent of BUYER in writing.

9. Notwithstanding anything contained herein above:

- (a) Our liability under this Guarantee shall not exceed Rs. _____. (Rupees _____ only (in words))
- (b) This Bank Guarantee shall remain valid until 3 months from the date of expiry of warranty period of the contract, i.e. upto _____ (mention the date) which is 3 months after expiry of the warranty period and the BG shall cease to be valid after _____ irrespective whether the Original Guarantee is returned to us or not.
- (c) We are liable to pay guaranteed amount or any part thereof under this Bank Guarantee only and only if you serve upon us a written demand or a claim in writing on or before _____ (Expiry Date)

Dated the _____ day of _____ (month and year)

Place :

Signed and delivered by _____ (name of the bank)

Through its authorised signatory
(Signature with seal)

FORMAT OF INTEGRITY PACT BANK GUARANTEE (IPBG)

To,

The _____,
Ministry of _____,
Government of India,

_____ (complete postal address of the beneficiary)

1. In consideration of President of India represented by Joint Secretary and Acquisition Manager/ Major General or equivalent, Service Hqr./Coast Guard, Ministry of Defence, Government of India (hereinafter referred to as the Buyer and/or the first party) having agreed to accept a sum of Rs. _____ (Rupees _____) from M/s _____ of _____ (hereinafter referred to as Bidder and/or the Second party) in the form of Bank Guarantee towards Integrity Pact for the Request For Proposal for procurement of _____ we _____ (Name of the Bank), (hereinafter referred to as the Bank), do hereby undertake to pay to the Buyer on demand within 5 (five) working days-without any demur and without seeking any reasons whatsoever, an amount not exceeding Rs. _____ (Rupees _____) and the guarantee will remain valid upto three years from the date of its issue i.e. _____ (Issue date). The Integrity Pact Bank Guarantee shall be extended from time to time as required by the Buyer and agreed by the Bidder to the Bank.

2. We undertake not to revoke this guarantee during this period except with the previous consent of the Buyer in writing and we further agree that our liability under the Guarantee shall not be discharged by any variation in the term of the commercial offer.

3. No interest shall be payable by the Buyer to the Bidder(s) on the guarantee for the period of its currency.

4. Notwithstanding anything contained herein above:-

(a) Our liability under this Guarantee shall not exceed Rs _____ (Rupees _____ only) (in words).

(b) This Bank Guarantee shall remain valid until _____ (hereinafter the expiry date of this guarantee). The Bank Guarantee will cease to be valid after _____ irrespective whether the Original Guarantee is returned to us or not.

(c) We are liable to pay guaranteed amount or any part thereof under this Bank Guarantee only and only if you serve upon us a written demand or a claim in writing on or before _____ (Expiry Date)

Dated the _____ day of _____ (month and year)

Place :

Signed and delivered by _____ (Name of Bank).

Through its authorized signatory
(Signature with seal)

FORMAT FOR ADDITIONAL BANK GUARANTEE FOR ESSENTIAL PARAMETERS-B
CASES

To

The _____,
Ministry _____,
Government of India,
_____ (complete postal address of the beneficiary)

1. Whereas President of India represented by the _____ Ministry of _____, Government of India (hereinafter referred to as BUYER) have entered into a contract No _____ dated _____ (hereinafter referred to as the said contract) with M/s _____ (hereinafter referred to as SELLER) for supply of goods as per contract to the said BUYER and whereas the SELLER has undertaken to produce a bank guarantee for (%) of total contract value amounting to Rs. _____ to secure its obligations towards meeting the Essential Parameters B to the BUYER.

2. We, the _____ bank hereby expressly, irrevocably and unreservedly undertake and the guarantee as principal obligors on behalf of the SELLER that, in the event that the BUYER declares to us that the amount claimed is due by way of loss or damage caused to or would be caused or suffered by the BUYER by reason of breach/failure to perform by the said SELLER of any of the terms and conditions in the contract related to meeting the Essential Parameters B, we will pay you, on demand and without demur, all and any sum up to a maximum of Rupees _____ only. Your written demand shall be conclusive evidence to us that such repayment is due under the terms of the said contract. We shall not be entitled to ask you to establish your claim or claims under this guarantee but will pay the same forthwith without any protest or demur. We undertake to effect payment upon receipt of such written demand.

3. We shall not be discharged or released from the undertaking and guarantee by any arrangements, variations made between you and the SELLER, indulgence to the SELLER by you, or by any alterations in the obligations of the SELLER or by any forbearance whether as to payment, time performance or otherwise.

4. We further agree that any such demand made by the Buyer on the Bank shall be conclusive, binding, absolute and unequivocal notwithstanding any difference or dispute or controversy that may exist or arise between you and the Seller or any other person.

5. In no case shall the amount of this guarantee be increased.

6. This Guarantee shall remain valid until _____ as specified in the contract.

7. This guarantee shall be continuing guarantee and shall not be discharged by any change in the constitution of the Bank or in the constitution of M/s _____. We undertake not to revoke this guarantee during the currency except with previous consent of BUYER in writing.

8. Notwithstanding anything contained herein above:-

- (a) Our liability under this Guarantee shall not exceed Rupees _____ (in words) _____.
- (b) This Bank Guarantee shall remain valid until _____ (hereinafter the expiry date of this guarantee). The Bank Guarantee will cease to be valid after _____ irrespective whether the Original Guarantee is returned to us or not.
- (c) We are liable to pay guaranteed amount or any part thereof under this Bank Guarantee only and only if you serve upon us a written demand or a claim in writing on or before _____ (Expiry Date).

Dated the _____ day of _____ (month and year)

Place:

Signed and delivered by _____ (Name of Bank).

Through its authorized signatory

(Signature with seal)