

**INDIAN MARITIME UNIVERSITY**

**VIGILANCE CELL**

No.IMU/CVO/18/2013/Vig.

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**CIRCULAR No.1**

Sub: - VIGILANCE - Security Deposit (S.D) Clause — Uniform  
procedure for all campuses of IMU — Reg.

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On general scrutiny of tender files of some of the campuses of IMU, it is observed that the Security Deposit clause has not been incorporated in some of the tenders and has been remitted belatedly in others. In some of the cases no penalty is imposed for the delayed period of remittance of security deposit.

The purpose of Security Deposit is for the due performance of contractual obligations. While this is a standard and an important clause in all tender documents, all IMU campuses do not have uniformity in procedures and these vary sometimes from case to case.

To bring the uniformity in the procedures, it is proposed to have the Security Deposit clause in all type of tenders including procurement as follows :

1. Security Deposit/Performance Security:-
  - (i) In case of contracts with single bill i.e., first and final bill, the Security Deposit will be 10% of the total contract value.
  - (ii) In case of contracts with more than one bill, Security deposit shall consist of two parts;
    - (a) performance guarantee to be submitted at award of work and
    - (b) Retention money to be recovered from Running bills.
  - (iii) The performance guarantee should be 10% of contract price out of which 5% should be submitted as Bank Guarantee or Demand

Draft with 15 days of the receipt of letter of acceptance of tender and balance 5% recovered as Retention Money from running bills.

- (iv) The person whose tender or any portion of whose tender is accepted shall deposit 5% of the contract value in the form of Demand Draft / Bankers' Cheque drawn on any scheduled Bank / Nationalized Bank as the case may be. In case SD exceeds Rs.5.00 lakhs, the total amount shall be deposited in the form of Bank Guarantee issued by any Scheduled Bank / Nationalized Bank, encashable at the work place fulfilling the contractual agreement as per the tender form stipulated within 15 days of placing the order or receipt of notice of acceptance, failing which the award of work shall be cancelled and the Earnest Money Deposit / Bids security shall be forfeited.

2. All the Bank Guarantees are subjected to the following:

- (i) The tenderer shall enclose copy of the letters issued by the Bank to their respective branch at the places of IMU, authorizing the branch to honor, pay the proceeds to IMU and debit the issuing branch in case of invocation of Bank Guarantee as per Guarantee terms.
- (ii) The respective IMUs will communicate the respective branches of bank for ensuring genuineness of Bank Guarantee and its encashment at the respective places.
- (iii) If it is found that the bank guarantee is not genuine or not encashable at the respective places then the work order placed on the tenderer will be treated as cancelled and the EMD will be forfeited.

3. The Security Deposit shall remain valid till the satisfactory completion of the tender with defects liability period.

4. Recovery of 5% of bill value will be effected from the first bill onwards towards retention money and refunded within 14 days from the date of payment of final bill. Balance Security Deposit will be refunded immediately not later than 14 days from completion of defect liability period.
5. The Security Deposit is meant to compensate the purchaser for any loss suffered due to failure of the supplier to complete his obligation as per the contract. However, where Risk and Expense Purchase is unenforceable because of single vendor situation and remote possibility of recovering from an alternative source, the Performance Bank Guarantee, should be for ten percent (10%) to act as a financial cover in the event of failure of the firm to perform / recession.
6. The person whose tender or any portion of whose tender is accepted shall deposit 10% of the contract value in the form of Demand Draft / Bankers' Cheque drawn on any Scheduled Bank / Nationalized Bank, Payable at respective places and in the event of the security Deposit exceeding of Rs.5.00 lakhs, the total amount be deposited, in the form of Bank Guarantee issued by any Scheduled Bank / Nationalized Bank, enforceable and encashable at respective places to the extent of 10% of the value of the accepted tender towards security for the due fulfillment of the conditions of the contract and must execute an agreement in the form stipulated, failing which the award of work shall be cancelled, the EMD / Bids security will be forfeited and other arrangements made for executing the work. The remittance of initial Security for the due fulfillment of the conditions of the contract should be made within 15 days of placing of the order / receipt of notice of acceptance.
7. The bank guarantee should be accompanied with the following documents:
  - (a) Copy of the letters issued by the Bank to their respective branch at respective places authorizing Chennai branch to honor, pay the

proceeds to IMU and debit the issuing branch in case of invocation of Bank Guarantee as per Guarantee terms.

(b) If it is found that the bank guarantee is not genuine or not encashable, the work order placed on the tenderer will be treated as cancelled and the EMD will be forfeited.

8. For Procurement, for all kinds of materials, tools, plants and equipments in all cases of Special limited tender / open tender of single cover, two cover and three cover system in the tender conditions Security deposit / performance guarantee, Guaranty bond, Warranty as applicable should be ensured.
9. The Security Deposit shall remain valid till the satisfactory completion of the tender with defects liability period pursuant to defects liability clause in the tender.
10. Performance Bank Guarantee will be valid up to 60 days beyond the date of warranty. The specimen of Performance Bank Guarantee is given in the tender.
11. On receipt and acceptance of full deposit in the manner aforesaid by IMU on execution of agreement earnest money submitted with the tender will be refunded. No interest will be allowed on the earnest money from the date of receipt until it is refunded.
12. However, in the case of unsuccessful tenderers earnest money will be refunded as soon as possible after the final decision of awarding the contract.
13. No relaxation with regard to payment of Earnest Money Deposit and security deposit will be made on the ground that the tenderers are on the approved list of D.G.S.&D. railways etc., However small scale units registered with National Small Industries Corporation Limited are exempted from the payment of EMD provided a Photo Copy of the certificate from the registering authority duly attested by a Gazetted Officer

of Central / State government is produced to substantiate their status as a small scale unit currently registered with the National Small Industries Corporation limited for a particular product. With regard to payment of Security Deposit, there is no relaxation to National Small Industries Corporation.

14. The NSIC certificates required to be submitted as per the above condition should contain the item covered in the tender as otherwise the offer and make is liable for rejection. Since the permanent certificate issued by NSIC is stated to be valid for a period of 3 years only from the date of issue and in such cases validated certificate copy also duly attested in the manner prescribed should be submitted along with the quotation.
15. For Warranty and Claims, all stores to be supplied should be free from all defects and faults in material workmanship and manufacture. They should be of the highest grade and consistent with the established and generally accepted standards for material of the type used and in full conformity with the specifications, drawings, or samples and shall, if operable, operate properly. The Seller shall be bound to furnish a clear written warranty regarding the same. In the event of the ultimate consignee in India not finding the stores in accordance with the order, the seller will be required to replace them free of cost inclusive of all freight and handling charges. Such replacement will be done within sixty days of the claim report raised by the purchaser. These standard conditions will also apply in respect of replaced stores. This warranty shall remain valid for eighteen months after delivery or twelve operable months after arrival at the ultimate destination in India, whichever is earlier, or as specified in the contract.
16. If any defects in the goods are noticed during the guarantee period which in the opinion of the competent authority are due to bad materials, defective workmanship, the contractor will be required to replace the goods free of cost to the IMU as the competent authority in the IMU deems necessary or in the event of the tenderer failing to do this within a

reasonable time, the competent authority may arrange for such repairs to be done and deduct the cost thereof from the amount that may have been spent in excess of the deposit or collect the cost thereof from the guaranteeing bank before discharging the Guarantee Bond without prejudice to the recovery of any amount that may have been spent in excess of the amount recoverable as per the guarantee bond directly from the Contractor.

The above model tender clause for Security Deposit is without prejudice to the other related clauses in the tender procedures prevails in the practice.

All campus directors

Copy to : VC

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CVO