

PAYMENT TERMS

CONSTRUCTION OF NON-EXECUTIVE QUARTERS AT BEML LIMITED, PALAKKAD COMPLEX, KERALA

1. RUNNING ACCOUNT REMITTANCE: (RAR)

During the progress of work, contractor shall submit the claims giving complete details of work done, rate and value to the Engineer-in-charge, nominated by Chief Engineer who shall certify the rate and quantity as per the MB and prepare a statement showing the description and quantity for which he recommends payment. These claims are called RAR bills and RAR payments are made once in a calendar month or more depending upon the periodicity of contract/progress of work.

Where the RAR payment is based on the measurements recorded in the MB, the recommendation for payment shall be stage-wise co-related with the bill of quantities.

Due to technical reasons, where pro-rata payments on stage-wise progress of work is considered necessary though not specified in the contract, the Chief Engineer with the approval of competent authority, shall decide the number/type of stages correlating with the bill of quantities and submit a statement showing the stage-wise break-up of the contract value indicating work progress details including percentage of completion, cost, and remarks, if any, of the Engineer-in-charge with a copy to Accounts in the respective Division for regulating the quantity and payment. This shall form the basis for the Engineer-in-charge to prepare a bill for actual progress of work. The basis as decided above shall uniformly be adopted for regulating all RAR payments till the final bill is submitted.

However, in respect of hidden works, recording of measurements in MB shall invariably be made then and there and the MB produced to Accounts at the time of RAR payment.

Accounts shall arrange payment for RAR bills within a fortnight's time from the date of receipt based on the certification of the Engineer-in-charge and after necessary check/verification.

As per Expenditure Management Commission, Government of India, in large projects above Rs.10.0 Crore, 50% of running bill amount shall be released within 7 days of submission without a detailed check on the claim. The balance shall be released after the claim is scrutinized as per procedure in order to get more competitive bids and for speedy execution as cash flow is a critical requirement in a project.

The contractor shall also be paid 'Material Advance' for the material brought to site for incorporation in the work duly certified by the Engineer-in-charge. For such materials brought inside by the contractor, the contractor has to produce necessary test certificates from reputed Testing Laboratories for steel and hypothecation deed duly executed by the contractor in favour of the Company on a non-judicial stamp paper of requisite value.

Payment of 'Material Advance' shall be recommended by the Engineer-in-charge for materials required to be used in the works as per the planned progress of work. However, payment of material advance against materials brought to site by the contractor ahead of scheduled progress of work shall be considered not exceeding 75% of the value of such material in exceptional cases with the approval of Competent Authority, with justification recorded in writing.

RAR payments shall be regulated to the extent of the value of work done, with due adjustments for recoveries and other payments (including material advance/adhoc payments made if any) effected so far against the contract.

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2. PRE FINAL RARs

Pre-final RAR is raised only when the work is completed and the complete measurement is recorded in the MBs by the Engineer-in-charge designated by Chief Engineer duly accepted by the contractor.

Pre-final RAR shall be sent to the Accounts Department by the Engineer-in-charge Only after Technical check of the measurements and endorsement in the MBs by the Chief Engineer.

The Engineer-in-charge, shall recommend for payment not exceeding 90% of the value of work completed with due adjustments for recoveries and RAR payments (including Material advance if any) effected so far against the contract.

Such bills shall be paid within 2 weeks from the date of their receipt in the Finance Department after scrutiny and check for the correctness of the bill duly linking up with the MBs.

The recommendation of Pre-final RAR is based on the discretion of the Chief Engineer on case to case basis.

3. ADHOC PAYMENTS:

If payment for final bill could not be arranged within 5 months from the date of the completion of the contract for genuine reasons other than undue delay in submitting the final bill by the contractor, an Adhoc payment not exceeding 90% of the value of the work done after making all necessary deductions for statutory dues, RAR payments, Material advances if any paid, shall be recommended by the Chief Engineer with the approval of respective Complex chief/ respective Business Group Director. Such Adhoc payment can be recommended only if the contractor is having concurrent running contracts in the Complex.

The following guide-lines shall be adopted while making such adhoc payment;

- a) Such payment shall not exceed 90% of the final bill value.
- b) All conditions of contract and recoveries to be effected shall be taken care before effecting Adhoc payment.
- c) If a contractor has no other contract concurrently running in the Complex, adhoc payment need not be made. Instead, final bill shall be expedited and paid atleast within six months from the date of completion of the contract.

4. COMPLETION CERTIFICATE:

As soon as the Contractor completes the work assigned to him the same shall be inspected and if found satisfactory shall be taken over by the Chief Engineer. A "Completion Certificate" shall be issued to the contractor within 30 days from the date the contractor has given request for the same. If there are minor defects which can be rectified even after the building has been taken over, the defects shall be listed out and the contractor shall be asked to rectify the same before the final bill is submitted. The final bill along with the completion certificate duly certified by the Engineer in charge, shall be

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submitted to Finance Department for payment. The completion certificate shall have the following details:

- a) Particulars of the work and Contract Number,
- b) The date of work order to commence the work,
- c) Date of completion as per original contract agreement,
- d) Actual work done value.
- e) Extension of time if any, granted,
- f) Date on which contractor was required to complete the work,
- g) Actual date of completion and taking over by BEML.

5. FINAL BILL:

On completion of the work and the recording of measurements in the MBs, a final bill shall be submitted by the contractor. On receipt of the final bill duly signed by the contractor, the same shall be scrutinized by the Engineer-in-charge to see that the claim is in order.

The final bill prepared by the Department and accepted by the contractor, shall be accompanied with the following documents:

- Original Completion certificate
- No claim certificate duly signed by the contractor
- Original Contractor's All Risk Insurance Policy covering up to the actual date of completion of work.
- Contract Agreement
- Revised estimate as duly approved by Competent Authority.
- ESI & PF statement duly co-ordinated by Welfare Section.
- Measurement books duly technically checked by Engineer in charge.
- Any other documents which are specified by the Management from time to time.

The Engineer-in-charge has to certify in the work Completion certificate as well as in the Measurement Book, that the work is executed in conformity with the contract specification, drawings and other conditions. The final bill duly checked and co-ordinated by the Engineer-in-charge shall be sent to the Finance Department through Chief Engineer along with the documents stated above.