



User Guide for Bill Discounting Facility under Government Contracts (Works)

Introduction

This user guide provides a step-by-step overview of the Bill Discounting facility for government contracts in works. It outlines how Drawers (contracting firms), financial institutions (FIs), and procuring agencies should collaborate for effective implementation and execution of the Bill Discounting process.

Process Flow

1. Submission of Final Bill by the Drawer

- The Drawer (Contracting Firm) submits the correct and complete final bill to the Procuring Agency for verification.

2. Verification by Procuring Agency

- The Procuring Agency verifies the final bill for authenticity and the net amount (after deduction of Statutory deduction (Security Deposit & TDS) and any other deduction if any (advances recovery adjustment/Audit Recovery/Liquidity Damages) payable as per the timeframe mentioned in the contract agreement.

3. Drawing of Bill of Exchange

- Once verified, the Drawer will draw a Bill of Exchange on the Procuring Agency, outlining the total amount payable (*Annexure 1*).

4. Request for Bill Discounting

- The Drawer submits a request for bill discounting to the Procuring Agency, as per the *Annexure 2*.

5. Forwarding Request to Financial Institution

- The Head of Finance of the Procuring Agency forwards the bill discounting request to the FI, along with their unconditional acceptance of the bill of exchange (*Annexure 3*).

6. Processing by Financial Institution

- Upon receiving the request and documents, the FI processes the bill discounting request, ensuring compliance with the terms and conditions outlined in the SOP.
- Once the bill discounting has been sanctioned to the Drawer, the respective FI will communicate to the procuring agency the following details:



1. The credit bill discounting account,
2. The name of the FI
3. The amount disbursed
4. The rate of interest and amount
5. The due date for the settlement

7. Disbursement

The disbursed amount will be the net verified bill amount minus 30 days' interest. If the Procuring Agency makes early payment, the interest for the unexpired period will be refunded to the Drawer by the FI.

8. Settlement Mode

1. The debit letter of advice will be issued from the respective procuring agency's LC/PLC which will specify the appropriate credit bill discounting account and the name of the FI. (*Annexure 4*). Issuance of debit letter of advice should be after the receipt of fund release for the specific project/activity.
2. As it is currently practiced with offline debit advice (swift transactions) the procuring agency's LC/PLC's signatory authority will suffice for the debit advice.
3. If the bill discounting settlement is at FIs other than BOB, remittance will be routed through BIRT and the associated charges will be charged to the Procuring agency's LC/PLC account.
4. The instructions regarding the charging of the associated charges for the above mentioned remittance will be captured in the debit advice.
5. After obtaining the bank statement from the bank, the finance personnel should record the transactions following Transaction guidelines for accounting settlement of Bill Discounting (*Annexure 5*) in the ePEMS.

9. Reimbursement of Charges: If the Procuring Agency delays payment beyond the agreed terms, they are liable for reimbursement of interest/discount charges incurred due to the delay.

- However, the liability of reimbursement of the discount/interest amount and applicable charges shall fall upon the responsible official(s) if the delayed payment is due to their negligence.

Conclusion

This user guide simplifies the process of using Bill Discounting under government works contracts. All parties—Drawers, procuring agencies, and financial institutions—must adhere to the roles, responsibilities, and processes outlined in SOP to ensure smooth and efficient execution of the facility.



Annexures

- Annexure 1: Bill of Exchange
- Annexure 2: Request for Bill Discounting Format
- Annexure 3: Procuring Agency's Forwarding Letter for Bill Discounting
- Annexure 4: Debit Advice for Bill Discounting Settlement.
- Annexure 5: Bill discounting transaction guidelines