

| HINDUSTAN SHIPYARD LIMITED C&MD SECRETARIAT | | |
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| INSTRUCTIONAL ORDER NO.& C&MD/IO/ 04 /2017 Dated 02 Feb 2017 | | |
| Sub: Alignment of Payment Terms – Provision for payment of advance to MSMEs/SMEs | Date effective: Immediate Date Issued : 02 Feb 2017 | |
| Previous Reference | Depts. Affected | Distribution |
| Govt. of India, Ministry of Defence, Department of Defence Production Letter 59011/10/2016- D(HAL-II)/EA dated 26 Dec 2017 | Commercial Dept DDSR EKM FINANCE | C&MD D(S) D(F&C) D(CP&P) CVO CGM(SB&SR) GM(CP) GM(EKM) GM(PP&PM) GM(C)-AC |

1. As per the directions of MOD/DDP vide their letter 59011/10/2016-D(HAL-II)/EA dated 26 Dec 2016, all the DPSUs should consider for payment of advance to MSMEs/SMEs.


2. In compliance with the above, all the procurement wings/outsourcing wings are hereby instructed to consider payment of interest free advance equivalent to 10% of the basic order value to the MSMEs/SMEs against the orders placed with them by HSL subject to fulfilling the following conditions:

- (a) Offered terms of MSME vendors include advance payment.
- (b) A request should be received from the MSME/MSE Vendor for payment of advance upon receipt of our order/receipt of contract.
- (c) The MSME vendor should submit a Bank Guarantee equivalent to advance requested by them.
- (d) Advance payment BG will deemed to be proportionately and automatically reduced in proportion to their supplies.
- (e) Advance shall be paid within 30 days of signing of contract/placement of order and upon submission of claim and BG.
- (f) Contractual delivery period shall be reckoned from the date of receipt of order irrespective of the date of payment of advance.

(g) In the event of failure or delay in executing the order by the MSME vendor, interest shall be charged at Bank's Cash Credit Rate from the date of payment of advance.

(h) Since all the current projects are in advanced stage and the financial sources are limited, payment of advance can only be made for the orders placed for the requirement of future projects only.

3. The above procedure is included in the Manual on Procurement of Materials and Services of HSL at the article 9.18.


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Chairman & Managing Director