



CENTRAL PUBLIC WORKS DEPARTMENT

OFFICE MEMORANDUM

No.DGW/MAN/140

ISSUED BY AUTHORITY OF DIRECTOR GENERAL OF WORKS

NIRMAN BHAVAN, NEW DELHI

DATED 23.11.2006

Sub : Earnest Money & Security Deposit regarding.

As per the decision taken in Technical Board meeting held on 28.09.06, following amendments are made to Works Manual 2003 related to earnest money and security deposit;

a) Earnest money

S.no.	Item	Existing	Modified
1	Para 19.2	The amount of the earnest money, which a contractor should deposit with the tender, is regulated by the following scales. In case of petty works costing Rs. 5000/- or less the executive Engineer may, at his discretion, dispense with the condition for calling for earnest money. (i) For works estimated to cost upto Rs. Twenty-five crores 2% of the estimated cost. (ii) For works estimated to cost more than Rs. Twenty-five crores. Rs. Fifty lakhs plus 1% of the excess of estimated cost over Rs. Twenty-five crores.	The amount of the earnest money, which a contractor should deposit with the tender, is regulated by the following scales. In case of petty works costing Rs. 5000/- or less the executive Engineer may, at his discretion, dispense with the condition for calling for earnest money. (i) For works estimated to cost upto Rs. Ten crores 2% (Two percent) of the estimated cost. (ii) For works estimated to cost more than Rs. Ten crores Rs. Twenty lakhs plus 1% (one percent) of the estimated cost in excess of over Rs. Ten crores.
2	Para 19.3	The earnest money may be accepted only in the following forms: i) Cash upto Rs.10,000/- ii) Treasury Challan.	The earnest money may be accepted in the following forms: i) Cash upto Rs.10,000/-

As per O.M. no. DGW/C ON/203 dt. 30.9.04	<p>iii) Deposit at call receipt of a Scheduled Bank guaranteed by the Reserve Bank of India.</p> <p>iv) Banker's Cheque.</p> <p>v) Demand Draft.</p> <p>vi) FDR.</p> <p>When amount of earnest money is more than Rs. 5 lakh, part of earnest money is acceptable in the form of bank guarantee also. In such case, minimum 50% of earnest money (but not less than Rs. 5 lakh) or Rs. 25 lakh, which ever is less, will have to be deposited in shape prescribed above. For balance amount of earnest money, bank guarantee will also be applicable.</p> <p>It should be ensured that the FDR is valid for a period of six months or more after last date of receipt of tenders and that it is pledged in favour of the tender inviting authority.</p> <p>If the banks are closed on the day of opening of tenders the date of opening of tender shall be postponed suitably.</p>	<p>ii) Treasury Challan.</p> <p>iii) Deposit at call receipt of a Scheduled Bank guaranteed by the Reserve Bank of India.</p> <p>iv) Banker's Cheque.</p> <p>v) Demand Draft.</p> <p>vi) FDR.</p> <p>When amount of earnest money is more than Rs. 5 lakh, part of earnest money is acceptable in the form of bank guarantee also. In such case, minimum 50% of earnest money or Rs. 20 lakh, which ever is less, will have to be deposited in shape prescribed above and balance can be accepted in form of, Bank Guarantee issued by a scheduled bank.</p> <p>It should be ensured that the FDR is valid for a period of six months or more after last date of receipt of tenders and that it is pledged in favour of the tender inviting authority.</p> <p>If the banks are closed on the day of opening of tenders the date of opening of tender shall be postponed suitably.</p>
3 Security Deposit Para 20.1 of Works Manual 2003	A sum @ 10% of the gross amount of the bill shall be deducted from each running bill of the contractor till sum along with the sum already deposited as earnest money, will amount to security deposit of 5% of the tendered value of the work. In addition the contractor shall be required to deposit an amount equal to 5% of the tendered value of the contract as performance Security within the period prescribed for commencement of work in letter of award issued to him.	A sum @ 10% of the gross amount of the bill shall be deducted from each running bill of the contractor till sum along with the sum already deposited as earnest money, will amount to security deposit of 5% of the tendered value of the work. In addition the contractor shall be required to deposit an amount equal to 5% of the tendered value of the contract as performance Security within the period prescribed for commencement of work in letter of award issued to him. However, Security deposit may be released against bank Guarantee issued by

a Schedule bank on its accumulation to a minimum amount of Rs. 5 lakhs subject to the condition that amount of any Bank Guarantee except last one, shall not be less than Rs. 5 lacs.

Superintending Engineer (C&M)

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