



PMCell – MM

## Oil and Natural Gas Corporation Ltd

Corporate Materials Management

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Circular No. 08/2018

No: MAT/PMC/13(108)Fin-cri(29)4/2018

Dated: 23.02.2018

**Sub: Criteria for ascertaining Financial Capability of the bidders in various tenders.**

Reference is invited to Circular No. 10/2017 dated 01.03.2017 & its corrigendum dated 07.03.2017, whereby modified criteria for ascertaining Financial Capability of the bidders in various tenders was notified.

2.0 EPC, in its meetings (01/2018) and (05/2018) held on 03.01.2018 and 31.01.2018 reviewed the aforesaid provisions on ascertaining Financial Capability of the bidders for incorporating in tenders pertaining to procurement of goods, services and LSTK contracts. In the above meeting of EPC following decisions have been taken with respect to existing Financial Criteria being followed:

2.1 In cases where the bidding/supporting company are not required to prepare consolidated financial statement as per the statute of the country of the bidding/supporting company as applicable, the bidder shall provide justification for the same along with certificate from a practising Chartered Accountant or equivalent to this effect. In such cases the bidder shall submit the consolidated financial account as per the accounting standards of the country of the bidding/supporting company as the case may be, duly certified by the practicing chartered accountant or equivalent.

2.2 In cases where Statutory Audit is not required as per law, Consolidated Financial statement should be audited by practising Chartered Accountant or equivalent.

2.3 For cases where the bidder's working capital is inadequate in meeting the tender requirements, a standardized format has been introduced for conveying Line of Credit and the foreign bidder can provide line of credit from a foreign bank also. Further, the line of credit should cover the entire quantum of shortfall in the Working Capital and not limited to the Working Capital required for the tender.

2.4 Tenders wherein only functional specifications are provided by ONGC and the responsibility for design and detailed engineering, procurement, constructions and installation etc. lies with the contractor shall be considered as LSTK contract. Such tenders only shall require the Financial Criteria conditions mentioned as applicable for LSTK tenders.

2.5 Methodology for ascertaining current liabilities, current assets and long term debt shall be consistent with IFRS / IND AS standards.

2.6 The bidding company shall be allowed to submit additional PBG required to be submitted by the supporting company or the Ultimate Controlling Company subject to fulfilling certain conditions.

2.7 In case Supporting company fails to submit Bank Guarantee as per BEC conditions, EMD/SD submitted by the bidder shall be forfeited.

3.0 In accordance with the decisions taken in the aforesaid meetings of EPC, provisions of Financial Criteria of the BEC notified vide aforesaid circular stand modified to the extent of following Annexures:

- Annexure-I : Existing vis-à-vis modified provisions on Criteria for ascertaining Financial Capability of the bidders in various tenders notified vide Circular No. 10/2017 dated 01.03.2017 & its corrigendum dated 07.03.2017.
- Annexure-II : Modification to the existing format of GURANTEE BY THE SUPPORTING COMPANY/GUARANTOR.
- Annexure-III : Standardized format for Certificate of Compliance of meeting Financial Parameters  
( To be submitted by bidder on its letter head)
- Annexure-IV : Standardized format for conveying the Line of Credit, in cases where bidder's working capital is inadequate)  
(To be issued by Bidder's Bank on its letter head)

Above guidelines should be meticulously followed by all concerned.

  
(Ashwini Nagia)  
ED-Chief MM Services

Distribution: (Through ONGC's intranet website 'ongcreports.net').

**All concerned may download the circular from the site. Hard copies are not distributed separately.**

Copy to:

1. EO to CMD, ONGC, New Delhi.
2. CEA to Director(T&FS) / Director (Offshore) / Director (HR) / Director (Exploration)/Director (Onshore) / Director (Finance), ONGC, New Delhi.
3. CVO, ONGC, New Delhi.

**Criteria for ascertaining Financial Capability of the bidders in various tenders**  
**Modified vis-à-vis existing provisions**

**Annexure-I**

(Notified vide Circular No. 10/2017 dated 01.03.2017 & Corrigendum dated 07.03.2017)  
 (To be incorporated in BEC of tender documents in respect and procurement of goods where value of the tender is above Rs. 25 Crores and in BEC of tender documents of Turnkey Contracts and Hiring of Services where annualized value of the tender is above Rs. 10 Crore.)

All the below mentioned applicable criteria shall be met by the bidders, as applicable for procurement of Goods/Service / LSTK contracts:

SI. No.	Existing Provisions		Modified Provisions		Remarks		
1	1	<b>Turnover of Bidders</b>		1	<b>Turnover of Bidders</b>	Applicability of Working Capital in respect of Service Contracts has been dispensed with.	
		For Goods	30% of bid value or more		For Goods		30% of bid value or more
		For LSTK / Service Contracts	50% of annualized bid value or more		For LSTK / Service Contracts		50% of annualized bid value or more
	2	<b>Net Worth of Bidder</b>		2	<b>Net Worth of Bidder</b>		
		For Goods	Positive		For Goods		Positive
		For LSTK / Service Contracts	15% of annualized bid value or more		For LSTK / Service Contracts		15% of annualized bid value or more
	3	<b>Working Capital</b> (Applicable for LSTK/ <u>Service</u> Contracts)	15% of annualized bid value or more.	3	<b>Working Capital*</b> (Applicable for LSTK <u>Contracts</u> )		15% of annualized bid value or more.
	4	<b>Debt equity ratio</b> (Applicable for LSTK Contracts)	Less than 2:1	4	<b>Debt equity ratio*</b> (Applicable for LSTK Contracts)		Less than 2:1

		* Methodology for ascertaining current liabilities, current assets and long term debt shall be consistent with IFRS / IND AS standards.	
2	<p>The turnover of bidders to be considered for evaluation, shall be the average turnover of the last two years as brought out at note (vi) below.</p> <p>Net-worth, working capital and debt equity ratio, shall be based on the latest Audited Consolidated Annual Financial Statements of the bidder with all its subsidiaries.</p> <p>In case the financial statements submitted by the bidder are in currencies other than INR, BC selling rate declared by State Bank of India prevailing on the date of publication of NIT shall be considered for converting it into INR.</p> <p><u>Corrigendum to Circular No. 10/2017 dated 07.03.2017</u></p> <p>The basis of bid value shall be the price quoted by the bidder including duty and taxes, if any, which is taken into consideration for evaluation. However, in case Customs duty in respect of foreign bidders is not a part of their quotation, it shall not form basis for determining the bid value.</p> <p>In case of Two Bid System, in the un-priced bid, the bidder will submit a 'certificate of compliance' to the effect that the financial parameters of the bidder are equal to or more than required value as applicable. In case the information contained in the 'certificate of compliance', is found to be incorrect later on after opening of price bids, then their bids will be rejected</p>	<p>The turnover of bidders to be considered for evaluation shall be the average turnover of the last two years as brought out at note (vi) below.</p> <p><u>Subject to provisions under second paragraph of Note (i)-a.</u> Net-worth, working capital and debt equity ratio, shall be based on the latest Audited Consolidated Annual Financial Statements of the bidder with all its subsidiaries.</p> <p>In case the financial statements submitted by the bidder are in currencies other than INR, BC selling rate declared by State Bank of India prevailing on the date of publication of NIT shall be considered for converting it into INR.</p> <p>The basis of bid value shall be the price quoted by the bidder including duty and taxes, if any, which is taken into consideration for evaluation. However, in case Customs Duty in respect of foreign bidders is not a part of their quotation, it shall not form basis for determining the bid value.</p> <p>In case of Two Bid System, in the un-priced bid, the bidder will submit a 'certificate of compliance' <u>(as per format attached at Annexure- work center to indicate relevant annexure No.)</u> to the effect that the financial parameters of the bidder are equal to or more than required value as applicable. In case the information contained in the 'certificate of</p>	<p>Underlined portion modified</p> <p>Underlined portion modified</p>



	(ii) Net worth shall mean: " Share capital + Reserves created out of profits and securities premium account (excluding revaluation reserves) – deferred expenditure – Miscellaneous Expenditure to the extent not written off and carried forward Loss – Reserves created out of write back of depreciation and amalgamation".	(ii) Net worth shall mean: " Share capital + Reserves created out of profits and securities premium account (excluding revaluation reserves) – deferred expenditure – Miscellaneous Expenditure to the extent not written off and carried forward Loss – Reserves created out of write back of depreciation and amalgamation".	
5	(iii) The Financial Statements should be audited by the auditors appointed under the statute like Companies Act etc. wherever applicable. In cases of foreign bidders and where Statutory Audit is not required as per law, Financial statement should be audited by Chartered Accountant Firm or equivalent (In case of Foreign bidder). Bidder will provide a statement containing the value of each financial parameter required in the tender based on bidder's audited consolidated financial statement as defined in BEC.	(iii) The <u>Consolidated</u> Financial Statements should be audited by the auditors appointed under the statute like Companies Act etc. wherever applicable. <u>In cases where Statutory Audit is not required as per law, Consolidated Financial statement should be audited by practising Chartered Accountant or equivalent.</u> Bidder will provide a statement containing the value of each financial parameter required in the tender based on bidder's audited consolidated financial statement as defined in BEC.	underline portion modified
6	(iv) Working Capital shall mean "Current Assets minus Current liabilities" as per latest year's audited consolidated annual Financial Statements.  If the bidder's working capital is inadequate in meeting the tender requirements, then the bidder can make good this shortfall through a line of credit confirming the availability of unutilized line of credit for meeting the shortfall from his banker, through a letter specifically mentioning the tender number.  The line of credit should be from Scheduled Commercial Bank working in India or foreign bank in	(iv) Working Capital shall mean "Current Assets minus Current liabilities" as per latest year's audited consolidated annual Financial Statements.  If the bidder's working capital is inadequate in meeting the tender requirements, then the bidder can make good this shortfall through a line of credit confirming the availability of unutilized line of credit for meeting <u>the entire quantum of shortfall in the Working Capital and not limited to the Working Capital required for the tender</u> from his banker, through a letter specifically mentioning the tender number <u>as per enclosed format at Annexure- work center to indicate relevant annexure No.)</u> The line of	Underlined Provisions added /modified

	<u>India.</u>	credit should be from Scheduled Commercial Bank working in India. <u>The foreign bidder can provide line of credit from a foreign bank also.</u>	
7	(v) Debt equity ratio shall mean Long term borrowings/ Net-worth	(v) Debt equity ratio shall mean long term borrowings/Net-worth.	No Change
8	(vi) For the purpose of ascertaining parameter of Turnover of the bidder, average turnover from operation of the bidder for the previous two financial years shall be considered. Average turnover from operation of the bidder for the previous two financial years shall be calculated by dividing the turnover from operation of previous two years by two, irrespective of the fact that quoted turnover for one particular year is for a period of less than 12 months or complete 12 months. The bidder will provide a copy each of audited consolidated annual Financial Statement of bidder with all its subsidiaries for previous two financial years for ascertaining their turnover. The date (i.e the financial year closing date) of the immediate previous year's audited consolidated annual Financial Statement should not be older than eighteen (18) months from the bid closing date.	(vi) For the purpose of ascertaining parameter of Turnover of the bidder, average turnover from operation of the bidder for the previous two financial years shall be considered. Average turnover from operation of the bidder for the previous two financial years shall be calculated by dividing the turnover from operation of previous two years by two, irrespective of the fact that quoted turnover for one particular year is for a period of less than 12 months or complete 12 months. The bidder will provide a copy each of audited consolidated annual Financial Statement of bidder with all its subsidiaries for previous two financial years for ascertaining their turnover. The date (i.e the financial year closing date) of the immediate previous year's audited consolidated annual Financial Statement should not be older than eighteen (18) months from the bid closing date.	No Change
9	(vi)-(a) A bidder (other than consortium) which is not able to meet the financial criteria by itself, can also submit its bid on the basis of financial capability of a Supporting Company provided each of the following conditions are fulfilled:-	(vi)-(a) A bidder (other than consortium) which is not able to meet the financial criteria by itself, can also submit its bid on the basis of financial capability of a Supporting Company provided each of the following conditions are fulfilled:-	No Change
10	1. The bidder is supported by a supporting company which holds more than fifty percent of the paid up equity share capital of the bidder.	1. The bidder is supported by a supporting company which holds more than fifty percent of the paid up equity share capital of the bidder <u>either directly or through intermediate subsidiaries.</u>	Underlined portion added/modified
11	2. The supporting company by itself and not through any other arrangement satisfies the financial criteria of the BEC.	2. The supporting company by itself and not through any other arrangement satisfies the financial criteria of the BEC.	No Change

12	3. Supporting Company shall furnish additional PBG equivalent to 50% of the amount of PBG submitted by bidder as per the format provided at Annexure-A.	<p>3. Supporting Company shall furnish additional PBG equivalent to 50% of the amount of PBG submitted by bidder as per the format provided at Annexure-A.</p> <p><u>In cases where foreign based supporting company does not have Permanent Establishment in India, the bidding company can furnish Performance Bank Guarantee for an amount which is sum of PBG amount to be submitted by the bidder and additional PBG amount required to be submitted by the supporting company subject to the condition that supporting company has 100% paid up equity share capital of the bidder either directly or through intermediate subsidiaries.</u></p> <p><u>In such case bidding company shall furnish an undertaking that their foreign based supporting company is not having any Permanent Establishment in India in terms of Income Tax Act of India.</u></p>	Underlined portion added.
	4. In such cases, all applicable financial parameters viz. Turnover, Net-worth, Working Capital, D/E ratio of the supporting company only will be considered for evaluation and the financial capability of the bidding entity will not be considered for evaluation.	4. In such cases, all applicable financial parameters viz. Turnover, Net-worth, Working Capital, D/E ratio of the supporting company only will be considered for evaluation and the financial capability of the bidding entity will not be considered for evaluation.	No change
13	(vi)-b. Documents to be submitted by the bidder, along with its techno-commercial bid, in case it is taking financial support from a supporting company: 1. Audited Consolidated Annual financial statement as detailed above in respect of the supporting company. Bidder will provide a statement containing the value of each financial parameter required in the tender based on supporting company's audited consolidated financial	(vi)-b. Documents to be submitted by the bidder, along with its techno-commercial bid, in case it is taking financial support from a supporting company: 1. Audited Consolidated Annual financial statement as detailed above in respect of the supporting company. Bidder will provide a statement containing the value of each financial parameter required in the tender based on supporting company's audited consolidated financial	



	<p>statement as defined in BEC.</p> <p>2. A Corporate Guarantee from the supporting company in the prescribed format at <b>Annexure-B</b> (to be suitably modified as per tender).</p> <p>3. A certificate from the Statutory Auditor of the bidder as well as of the supporting company to establish the relationship and equity percentage holding between bidder and the supporting company. <u>The certificates should be duly certified by the Company Secretary or one of the Directors of the company concerned.</u></p> <p>4. A Resolution passed by the Board of Directors of Supporting company authorising the signatories to execute the corporate guarantee, duly certified by the Company Secretary of the Supporting Company.</p> <p>5. Undertaking shall be given by supporting company stating that more than 50% shareholding between Supporting Company and Bidding Company shall be maintained till the execution / completion of the contract.</p>	<p>statement as defined in BEC.</p> <p>2. A Corporate Guarantee from the supporting company in the prescribed format at <b>Annexure-B</b> (to be suitably modified as per tender).</p> <p>3. A certificate from the Statutory Auditor or <u>Company Secretary or one of the Directors of the bidding company</u> to establish the relationship and equity percentage holding between bidder and the supporting company.</p> <p>4. <u>Authorisation letter from one of the Directors of Supporting Company authorising the signatories to execute the corporate guarantee, duly certified by the Company Secretary of the Supporting Company.</u></p> <p>5. Undertaking shall be given by Supporting Company to submit additional PBG equivalent to 50% of the amount of PBG submitted by bidder as per the format provided at Annexure-A.</p> <p><u>Note:</u> <u>In case Supporting company fails to submit Bank Guarantee as above, EMD/SD submitted by the</u></p>	<p>Underlined portion modified.</p> <p>Underlined portion modified</p> <p>Para 6 has been renumbered as para 5.</p> <p>Underlined</p>
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	<p>6. Undertaking shall be given by Supporting Company to submit additional PBG equivalent to 50% of the amount of PBG submitted by bidder as per the format provided at Annexure-A.</p> <p>7. Undertaking from the supporting company to the effect that in addition to invoking the PBG submitted by the contractor, the PBG provided by supporting company shall be invoked by ONGC due to non-performance of the contractor.</p>	<p><u>bidder shall be forfeited.</u></p> <p>6. Undertaking from the supporting company to the effect that in addition to invoking the PBG submitted by the contractor, the PBG provided by supporting company shall be invoked by ONGC due to non-performance of the contractor.</p>	<p>Note added</p> <p>Para 7 has been renumbered as para 6.</p>
14	The above certificates/undertakings should be of a date after NIT date.	The above certificates/undertakings should be of a date after NIT date.	No Change
15	<p>vii. Wherever the consortium bids are allowed and the bid is from a Consortium, the bidder <u>should indicate in the un-priced bid, the percentage of work to be performed by the respective consortium members.</u> Each consortium partner should themselves individually meet the financial criteria parameters namely turnover, net-worth &amp; working capital in proportion to the percentage of work to be performed by them subject to minimum of 50% (of annualised bid value) for the leader of the consortium and 20% (of annualised bid value) for other members of the consortium. <u>For this purpose, the bidder should indicate in the un-priced bid, the percentage of work to be performed by the respective consortium members.</u> The Debt/Equity ratio has to be individually met by all consortium members as prescribed above. Support from parent/supporting company is not allowed to meet the financial criteria.</p>	<p>vii. Wherever the consortium bids are allowed and the bid is from a Consortium, the bidder <u>is required to provide Memorandum of Understanding (MOU) executed by the consortium partners in the un-priced bid. The MOU should indicate the scope of work to be performed by the respective consortium members expressed as percentage of bid value.</u> Each consortium partner should themselves individually meet the financial criteria parameters namely turnover, net-worth &amp; <u>working capital*</u> in proportion to the percentage of work to be performed by them subject to minimum of 50% (of annualised bid value) for the leader of the consortium and 20% (of annualised bid value) for other members of the consortium. The <u>Debt/Equity ratio*</u> has to be individually met by all consortium members as prescribed above. Support from parent/supporting company is not allowed to meet the financial criteria.</p>	The underlined portion modified for clarity.

		<u>(*working capital &amp; Debt/Equity ratio shall be applicable only for LSTK Contracts)</u>	<u>Underlined portion added for clarity.</u>
16	<p>viii. In the tender, if there is specific provision allowing bidders to quote part quantity for each item/category/group (evaluation in that case being done item wise/category wise/ group wise), then bidder should meet financial criteria required for the item/category/group and being offered by the bidder. In case the bidder quotes for more than one item/category/group, then the bidder has to comply with the financial parameters after adding up all the item/category/group quoted by them in the tender.</p> <p>ix. Above financial criteria shall also be applicable for cases where delivery/contract period for supply of goods/services/turnkey projects is less than one year, treating the bid value as the annualised bid value.</p>	<p>viii. In the tender, if there is specific provision allowing bidders to quote part quantity for each item/category/group (evaluation in that case being done item wise/category wise/ group wise), then bidder should meet financial criteria required for the item/category/group and being offered by the bidder. In case the bidder quotes for more than one item/category/group, then the bidder has to comply with the financial parameters after adding up all the item/category/group quoted by them in the tender.</p> <p>ix. Above financial criteria shall also be applicable for cases where delivery/contract period for supply of goods/services/turnkey projects is less than one year, treating the bid value as the annualised bid value.</p>	No Change
17	<p>x. The above criteria are to be incorporated in the BEC's of all ongoing (where technical bids are yet to be opened) and future tenders, in respect of Goods/ Services / Turnkey Contracts valuing more than the specified value, with immediate effect.</p> <p>The financial criteria will not be applicable for the following types of tenders irrespective of value:</p> <ul style="list-style-type: none"> <li>➤ OEM / PAC Purchases</li> <li>➤ Nomination Purchases</li> <li>➤ Tenders for hiring Consultancy Services</li> </ul>	<p>x. The above criteria are to be incorporated in the BEC's of all ongoing (where technical bids are yet to be opened) and future tenders, in respect of Goods/ Services / Turnkey Contracts valuing more than the specified value, with immediate effect.</p> <p>The financial criteria will not be applicable for the following types of tenders irrespective of value:</p> <ul style="list-style-type: none"> <li>➤ OEM / PAC Purchases</li> <li>➤ Nomination Purchases</li> <li>➤ Tenders for hiring Consultancy Services</li> </ul>	No Change

**GURANTEE BY THE SUPPORTING COMPANY/GUARANTOR  
(Annexure-B)**

Para No.	Existing Provisions	Modified Provisions	Remarks
4.	The Guarantor Company holds more than 50 % paid up equity capital of the Bidder.	The Guarantor Company holds more than 50 % paid up equity capital of the Bidder	No Change
6. (Existing para shall be renumbered)	No Provision exists	<i>The liability of the Guarantor, under the Guarantee, is limited to the liability of the Contractor as per the Contract.</i>	New Provision added.

**Certificate of Compliance of meeting Financial Parameters**  
**( To be submitted by bidder on its letter head)**

Bidder hereby submits 'Certificate of Compliance' to the effect that the financial parameters of the bidder are equal to or more than the required value as applicable as per para .....(work centre to fill relevant para No.) – Financial Criteria of BEC\*\*.

\*\* wording "except working capital" to be inserted at the end of clause for cases where bidder's working capital is inadequate. In addition, following Para shall also be inserted for such cases:

"Bidder's working capital is not sufficient to meet the tender requirement. Hence bidder has made good this shortfall through a line of credit confirming the availability of unutilized line of credit for meeting the shortfall from his banker, through a letter specifically mentioning the tender number. The line of credit from .....Bank is enclosed (as per format at work center to indicate relevant annexure-No.)".

Signature of Authorised Signatory

Name of Signatory:

Seal of the Bidder

**Note:**

- i) Bidder is required to submit Certificate of Compliance for meeting the financial parameters as per BEC.
- ii) Working Capital shall mean as per definition under BEC clause .....(work centre to fill relevant clause No.) of Tender.

**Annexure-IV**

**(applicable for cases where bidder's working capital is inadequate)  
(To be issued by Bidder's Bank on its letter head)**

Ref No . \_\_\_\_\_

Date: \_\_\_\_\_

To  
(Name & Address of the Bidder/Contractor)

.....  
.....  
.....

Sub: **LINE OF CREDIT FOR ONGC TENDER NO:** .....(mention tender no.) **for** .....(mention title of tender)

Dear Sir,

This letter for line of credit is issued for the above referred tender of Oil and Natural Gas Corporation Limited. We..... (name of the Bank) registered under the laws of ..... (name of the country) having head/registered office at ..... do hereby confirm the availability of unutilized line of credit for meeting the shortfall in working capital for \_\_\_\_\_(name of bidder) having its registered office at \_\_\_\_\_, against the tender.

If the bidder becomes successful for award against the tender, the line of credit shall be extended for successful completion of contract.

.....  
(SIGNATURE)

Full name, designation and official address  
(in legible letters) with Power of Attorney No. & Bank Stamp.

Authorized signatory

**Note:**

-The line of credit should be from Scheduled Commercial Bank working in India. The foreign bidder can provide line of credit from a foreign bank also. Bank has taken cognizance of the ONGC tender terms & conditions in this regard.

-The line of credit letter must be addressed to the name & address of the bidder, who is bidding in ONGC tender.