



PMC Cell – MM

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Circular No. 60/2022

No: DLI/CORP-MM/PMC/2022/13(88)/999745

Dated:06.12.2022

Sub: Systemic Improvement for handling Demurrage Payment while clearing the imported consignment.

Reference is invited to the provisions under Para 37.3.6 of IMM Manual, wherein inter-alia it is stipulated that as soon as material has been cleared from the port and despatched to ultimate consignee, an intimation to this effect shall also be sent to MM and F&A Department indicating the chronological details of the activities and amount of demurrage, if any, incurred on account of various eventualities.

2. During a system study of all three T&S offices at Mumbai, Chennai & Kolkata, Vigilance Department has observed that there was repeated lapses in demurrage settlement and suggested that various stakeholders involved in the process of clearance of material from Port should provide chronological details of the activities to Order Placing Authority, as under:

- (i) Finance Department: They are entrusted with the job of retirement of Negotiable document from Bank after making payment and submission of these bank retired document to T&S department. Any delay attributable to supplier in this activity should be informed to MM department.
- (ii) Indenting Section: They are responsible for applying for EC from Essentiality Certificate Cell, ONGC and arranging the same. In case any delay is attributable to supplier with regard to obtaining EC (i.e. due to late/wrong submission of invoices), the same must be informed to MM department.
- (iii) T&S Department: After receipt of EC (from Indenter) and Original Bank retired document (from Finance), T&S department takes action for taking delivery of material from Port authority after necessary clearance.

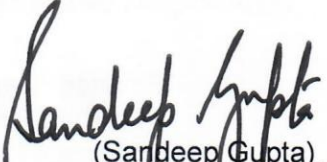
3. It is pertinent to mention herein that the demurrage and detention charges are paid on import cargo when clearance from port is delayed beyond the free period allowed. The delay may occur on account of late receipt of certain necessary documents like Non-negotiable shipping documents (NNSD), Essentiality Certificate (EC) and undertaking, Negotiable documents (original bill of lading), SIMS, discrepancy/deficiency in documents etc. For demurrage and detention free clearance of import consignment, a close coordination of T&S office, Finance, Indenter and MM section is vital. The relevant provisions regarding role and responsibility of each department in this regard are well stipulated in IMMM and in Financial Manual. Therefore, in order to avoid the incidence of demurrage & detention charges and its proper accountability, in case these charges have been paid, all concerned are advised to take note of the following:

- (i) Concerned finance officer should make payment immediately on receipt of bank advice, and retire the original documents. He should not wait till last date of payment as stipulated in payment advice. Time saved in total process of consignment clearance would reduce chance of incurring demurrages.
- (ii) Para 20.4.4 of IMMM stipulates that *“Upon receipt of Purchase Order and delivery schedule of material, Indenter shall proactively arrange for documents like invoice etc. for application of Essentiality Certificate and arrange to dispatch the EC and import*

license(for restricted items) to T&S office at least 3 days before arrival of shipment at port of discharge."

Indenting section will take prompt action for arranging required certificate and undertaking from EC Cell, Corporate MM, for submitting to Customs authority for filing Bill of Entry.

- (iii) T&S department should provide the details as mentioned under Para 37.3.6 of IMM Manual along with the delay attributable to supplier. T&S Department should also provide the details of the delay attributable to "Operational" reasons pertaining to concerned T&S department.
- (iv) Based on the details received from various stake-holders (i.e. Finance, Indentor and T&S), if entire demurrage is attributable to supplier, MM department (Order Placing Authority) will take action for recovery of demurrage from supplier. However, in case part demurrage is on account of ONGC, then quantum of demurrage attributable on Supplier will be recommended by TC and approval of CPA will be obtained, as a post contract issue.
- (v) Further, details of demurrage are maintained in GL account 92101. Before releasing Security Deposit, Dealing Officers should use T Code FBL3N to verify any pending entries and take necessary action for recovery of demurrage from supplier as mentioned above.


(Sandeep Gupta)
ED-Chief MM Services
6/14/22

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