

Circular No. 70/2023

No: DLI/CORP-MM/2023/PMC/13(59)/1193514
Dated: 20.09.2023

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

During a system study, Government Audit has observed that demurrage is being paid in large number of Import cases. Earlier, during an examination, Vigilance had observed repeated lapses in settlement of demurrage amount. High occurrence of Demurrage charges is being viewed seriously by Management and Government Audit.

In order to create awareness about the various types of demurrage charges amongst various stake holders and the reasons for their occurrence is attached at Annexure-1. Further, in order to reduce the incidence of demurrage and detention charges, actions to be taken by all concerned are also detailed at Annexure-1.

All are advised to take proactive action to reduce the incidence of Demurrage Charges.


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ED-Chief MM Services

Distribution: (Through ONGC's intranet website 'reports.ongc.co.in').

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Annexure-1

- A. Types of Demurrage Charges:** Clearance of imported consignments is a time-bound activity and any delay leads to incurring demurrage charges, which are as follows:
- (i) Customs Late Fine charges incurred due to late filing of Bill of Entry.
 - (ii) Interest charges incurred due to late payment of Customs Duty.
 - (iii) Container Detention Charges incurred if containers are not returned within detention free period.
 - (iv) Container Storage Charges incurred for storing the container till return within the free period and also thereafter until clearance.
 - (v) Cargo Storage Charges incurred for storing the cargo until clearance.
- B. Reasons of Demurrage:** Demurrage charges are being incurred on account of multiple reasons inclusive of but not limited to following:
- a. Late receipt of Non-Negotiable Shipping Documents, Essentiality Certificate (EC), Undertaking of Essentiality Certificate and Steel Import Monitoring System (SIMS):** The delay in receipt of Non-Negotiable Shipping Documents, EC, Undertaking of Essentiality Certificate and SIMS registration certificate by T&S office delays the process of filing Bill of Entry leading to incurring Customs Late Fine and demurrage charges.
 - b. Late receipt of Original Negotiable Shipping Documents:** The delay in receipt of Original Bank Retired Documents by T&S office results in detention / demurrage charges.
 - c. Operational delay on account of the following reasons:**
 - (i) Erroneous Import Goods Manifest (IGM) filing by the Freight Forwarder / Shipping Line leads to delay in filing the Bill of Entry.
 - (ii) Delay in issuing work order or providing the EC, SIMS to CHA or delay in approving the checklist prepared by the CHA required for filing the Bill of Entry results in Customs Late Fine Charges.
 - (iii) Delay in receipt of Freight Charges certificate from Shipping Corporation of India (SCI)/ Balmer Lawrie result in Custom Late Fine Charges.
 - (iv) Delay by CHA in preparing the checklist or filing the Bill of Entry results in Customs Late Fine Charges.
 - (v) Delay in incorporation of Customs Duty Payment in ICEGATE Portal due to system issues may result in incurrance of interest charges and demurrage charges.
 - (vi) Delay on part of SCI/Balmer Lawrie/ Freight Forwarder / Shipping Line in raising Freight Charge Certificate/ Local charges/ detention charges invoices leads to incurrance/incremental demurrage charges.
 - (vii) Delay in handing over the bank retired Negotiable documents to CHA / submission of bank retired Negotiable documents to Freight Forwarder / Shipping Line results in Demurrage Charges.
 - (viii) Delay in issuance of No Objection Certificate / Delivery Order by Freight Forwarder/ Shipping Line leads to incurrance demurrage charges.
- C.** In order to reduce the incidence of demurrage and detention charges and ensure its proper accountability, in case these charge have been paid, all concerned are advised to take following measures:

Sl. No	Activity	Action to be taken	Action by
1.	Placement of Purchase Order	As per para 20.1.1(a) of IMM Manual, scanned copy of PO/contract is to be uploaded in SAP under documents link of the	Order Placing Authority



PO/contract. Subsequently, these instructions were reiterated vide PMC Circular 25/2019 and 47/2020. However, it has been observed that scanned copy of signed Purchase Order along with all the annexures is not being uploaded in SAP.

In order to ensure availability of complete set of Purchase order alongwith its amendment, with T&S Section, all are advised that **upon placement of Purchase Order, dealing officer should upload scanned copy of signed Purchase Order, under "Documents" area in ICE-PO.** It must also be ensured to upload subsequent amendments to Purchase Order. Further, while sending the copy of Purchase Order to Supplier through e-mail, copy of Purchase Order should be sent to following offices through same e-mail, so that pro-active action can be taken by all the stakeholders:

- i) Ultimate Consignee
- ii) Port Consignee- concerned T&S office
- iii) Concerned Finance Section
- iv) Indenting section

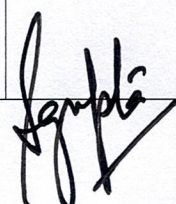
E-mail ids of the above stakeholders should also be mentioned in the Purchase Order.

Further, following instructions must also be clearly specified in Main body of Purchase Order:

- (i) (Applicable for the cases, where multiple Ultimate consignees are involved) Shipping documents should be prepared Ultimate Consignee wise.
- (ii) Supplier shall upload complete set of non-negotiable documents (scanned copy of documents submitted to bank for payment) either at VIMS (Vendor Invoice Management System) portal (<https://vims ONGC CO IN>) or send to e-mail address (ap_invoice@ONGC.CO IN) and also send to email id of Order Placing Authority, Indentor, Ultimate Consignee, Port Consignee and Finance & Accounts authority mentioned in PO within two days from the date of B/L / LR/RR.
- (iii) The supplier should forward Commercial Invoice to Order Placing Authority and Indenting Section well in advance to facilitate application of Essentiality Certificate and SIMS, if applicable.
- (iv) The supplier should ensure the compliance of check-list as under:

Sl. No.	Particulars	Complied with
1.	Individual item wise weights are mentioned in the Commercial Invoice / Packing List	(Y / N)
2.	Correct Standard Unit Quantity Code (SQC) corresponding to CTH of the imported material as per Indian Customs Tariff along with Quantity is mentioned on the Commercial Invoice/ Packing List.	(Y / N)
3.	Type of consignment i.e. FCL / LCL is mentioned on the Bill of Lading.	(Y / N)
4.	In case of FCL consignment, Detention Free Period (as per Terms & Conditions of PO) is mentioned on the BL.	(Y / N)
5.	The address and contact no. of Local Delivery Agent in India is mentioned in the Bill of Lading.	(Y / N)

		6.	The address of Port consignee & Ultimate Consignee is mentioned on the Bill of Lading.	(Y / N)	
		7.	Port Consignee address has been mentioned in the Notify Party in Bill of Lading.	(Y / N)	
		8.	Import & Export Code of ONGC, GST registration details of Ultimate consignee of ONGC and E-mail ids of concerned Port Consignee is mentioned in Shipping documents (Bill of Lading/AWB, Invoice, Packing List etc.)	(Y / N)	
		9.	Non-Negotiable documents (i.e. Copy of Bill of Lading, Commercial Invoice, Packing List, Country of Origin Certificate etc.) has been sent through e-mail to Order Placing Authority, Indentor and Port Consignee immediately within 02 days of dispatch of the consignment.	(Y / N)	
2.	Opening of Letter of Credit (LC)	Dealing officer will send a request to Pre-Audit Section of Finance for opening of Letter of Credit along with all required documents.			Order Placing Authority (Dealing Officer) and Finance
3.	Application for EC and its issuance	Indenting Section will apply for Essentiality Certificate and its undertaking with Essentiality Certificate (EC) Cell upon receipt of Commercial Invoice so as to ensure that EC is available with T&S section at least 3 days before arrival of material at Port.			Indenting Section
4.	Dispatch of Non-Negotiable Shipping Documents	Proper instructions must be communicated to Suppliers for providing Non-Negotiable Shipping Documents in VIMS alongwith sending through e-mail to various authorities (Order Placing Authority, Indentor, Finance, Port consignee and ultimate consignee). All concerned may examine/check Non-Negotiable Shipping documents for any discrepancy and provided to Order Placing Authority, which may be conveyed by Order Placing Authority to Supplier for rectification. It will reduce the chances of discrepancy being raised by Banks in Negotiable documents and will facilitate the timely release of Negotiable documents from Bank.			Order Placing Authority, Indenting Section, Finance & T&S.
5.	Application for SIMS and its issuance	Upon receipt of Commercial Invoice, Indenting section will apply for SIMS, if applicable. It must be ensured that the same is available with T&S Section at least 3 days before arrival of Material at port.			Indenting Section
6.	Payment by Finance and release/retirement of Negotiable shipping documents from Bank	Concerned finance officer should make payment immediately on receipt of bank advice, and retire the original documents, without waiting for the last date. Time saved in total process of consignment clearance would reduce chance of incurring demurrages.			Finance
7.	Dispatch of Negotiable shipping documents	These documents should be dispatched immediately by Finance Section to concerned T&S Section through an overnight courier service, to avoid delay in receipt of Bank retired Negotiable Shipping Documents by T&S Section.			Finance
8.	Various activities to be performed by T&S Section for Payment of Custom duty and clearance of consignment	T&S section must take prompt action for release of material. Upon release of material, it will be dispatched to Ultimate consignees.			T&S



9.	Conveying Demurrage details to Order Placement Authority and recording the same in SAP	T&S department will provide the details as mentioned under Para 37.3.6 of IMM Manual alongwith the delay attributable to Supplier. T&S Department will also provide the details of the delay attributable to "Operational" reasons pertaining to concerned T&S department. T&S section must ensure to provide these details, at the earliest after release of material, to concerned Order placing authority so that sufficient time is available to them for initiating action for recovery of demurrage, if any attributed to supplier.	T&S
10.	Analysis of demurrage attributed to Supplier	<p>Based on the details received from various stake-holders (i.e. Finance, Indentor and T&S), if entire demurrage is attributable to supplier, 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.</p> <p>Further, details of demurrage are maintained in GL account 92101. Before releasing Security Deposit, Dealing Officer should use T Code FBL3N to verify any pending entries and take necessary action for recovery of demurrage from supplier as mentioned above.</p>	Order Placing Authority

