

2023



CREDIT MANUAL

FOOD CORPORATION OF BHUTAN LIMITED



CREDIT MANUAL

2023

Food Corporation of Bhutan Limited



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LIST OF ACRONYMS



AMD	Agricultural Marketing Division
BER	Bank Export Registration
BoD	Board of Directors
CEO	Chief Executive Officer
CMC	Credit Management Committee
CM	Complex Manager
CMO	Credit Monitoring Officer
CO	Credit Officer
DoCB	Department of Corporate Business
DoCS	Department of Corporate Service
EMC	Executive Management Committee
FAD	Finance and Accounts Department
FCBL	Food Corporation of Bhutan Limited
FECD	Food and Essential Commodity Department
FG	Food Grains
FMCG	Fast Moving Consumer Goods
HRAD	Human Resource and Administration Division
IAU	Internal Audit Unit
NGO	Non-Governmental Organization
RCMC	Regional Credit Management Committee
RCMO	Regional Credit Monitoring Officer
RD	Regional Director
RMA	Royal Monetary Authority
RNR	Renewable Natural Resources
SE	Sales Executives



1 RATIONALE

Food Corporation of Bhutan Limited (FCBL) predominantly engages in the trading of essential food items and facilitates the export of agricultural produce. With economic advancement in the country, there has been rapid development, particularly in the sector of food and essential commodities, resulting in fierce competition in the market. Hence, it has become necessary for FCBL to explore appropriate mechanisms to position ourselves in the market to help expand the market share and remain competitive.

As for agri-marketing facilitation, FCBL has played a vital role for decades in assisting Bhutanese farmers in exporting their agricultural produce through the auction service. FCBL continues to play this important role, during good and bad times, to support the farming communities across the country and eventually contribute to the socio-economic development of the country. However, the market for farm produce has always been a major bottleneck with a handful of buyers from across the border towns of Assam and West Bengal in India. While the buyers are genuinely interested in purchasing the entire produce, their purchase capacity by making spot payments is found to be limited. On the other hand, there has been an increasing production of agricultural goods that require export facilitation support.

Noting the aforementioned challenges and the need, FCBL had explored alternatives to bring about a win-win outcome for the customers/bidders and farmers. After a thorough assessment, it was found out that instituting a *Credit System* would be an effective tool to offer alternative choice to the potential customers and help to retain them. Additionally, credit system would also render a fast-paced export facilitation service. Credit sales are expected to boost the marketing and cement the FCBL- customers' relationship thereby ensuring better business prospects.

Overall, this document attempts to guide and provide directions for effective management of credit sales thereby ensuring transparency, accountability and efficiency. Successful execution of credit sales is expected to make FCBL financially secured, economically stable and socially fulfilling.

2 SCOPE

This Credit Manual shall be implemented across all FCBL Outlets and Auction Yards owned and operated by FCBL.

3 OBJECTIVES OF THE CREDIT MANUAL

This Credit Manual aims to fulfil the following objectives:

- a. Establish systematic credit issuance and recovery system.
- b. Guide the Credit Officers and other officials involved in the credit activity.
- c. Ensure fairness, transparency and accountability while managing credit sales.
- d. Help mitigate risks associated to the credit sale.

4 COMMENCEMENT DATE

This credit manual shall come into effect from **1st October 2023** and it shall supersede all previous manuals, regulations and guidelines pertaining to the credit sales that were implemented for the same purpose. The manual may be periodically reviewed and updated to respond to the changing market conditions.

5 CODE OF CONDUCT

Credit Officer and official involved in managing credit sale shall adhere to the following Code of Conduct at all times;

- a. Demonstrate professionalism while rendering credit sales services.
- b. Communicate with the clients with respect and professionalism
- c. Ensure timely report to the relevant authorities.
- d. All information shall be kept confidential unless otherwise permitted through a written consent.
- e. Maintain proper file management system and documentation.
- f. Refrain from malpractices and maintain financial discipline at all times.

6 AUTHORITIES AND RESPONSIBILITIES

To implement and facilitate credit sales smoothly, power is delegated to the committees and officials depending on their roles and level of engagements. A chain of credit approval system is instituted to ensure effective coordination, efficiency, fairness, accountability and management of the credit sales.

6.1 Board of Directors

The Board of Directors shall be the highest authority to endorse the Credit Manual. The Board shall provide timely oversight and financial guidance on the overall credit management system. The Boards shall also make necessary interventions as and when required and recommend measures to strengthen the credit system.

6.2 Credit Management Committee (CMC)

The Credit Management Committee shall look after all the operations aspect of the credit sales. The Committee shall meet as and when necessary to discuss and resolve issues related to credit.



The quorum of the CMC shall be two-third of the total strength of the committee to proceed with any meetings. The following members shall comprise the CMC;

1. Chief Executive Officer (Chairman)
2. Director (Dy. Chairman)
3. Head, FECD (Member)
4. Head, FAD (Member)
5. Head, AMD (Member)
6. Company Secretary cum Legal Officer (Member)
7. Credit Monitoring Officer (CMO) of HQ (Member Secretary)

Other responsibilities of the CMC include the followings:

- a. Look into addressing the issues affecting credit sales and its timely recovery.
- b. Review the Credit Manual as and when necessary and propose to the Board for endorsement.
- c. Approve credit proposals as per the power delegated to the Committee.
- d. Instil appropriate mechanisms to manage risk associated to credit sales.
- e. Conduct timely review of the overall credit sales and provide necessary directives to the officials concerned.

6.3 Regional Credit Management Committee (RCMC)

The Regional Credit Management Committee (RCMC) shall be the highest advisory body on all credit issues at the regional level. The RCMC shall meet as and when necessary. At least two-third of the total strength of the committee is required to reach the quorum to proceed with the meetings. The following members shall comprise the RCMC;

1. Regional Director (Chairman)
2. Sr. Manager (Member)
3. Complex Manager/Warehouse Manager or In-charge (Member) ¹
4. Regional Accountant (Member)
5. Regional Credit Monitoring Officer (Member Secretary)

Other responsibilities of the RCMC include the followings:

- a. Look into addressing the issues affecting credit sales and its recovery in the region.
- b. Approve credit proposals as per the power delegated to the Committee.
- c. Propose to the CMC for any amendments that need to be reviewed.
- d. Instil appropriate mechanisms to manage risk associated to credit sales.
- e. Assess the default cases and submit to the CMC having thoroughly followed up and exhausted all means of recovery at the RCMC level.
- f. Conduct timely review of the overall credit sales and provide necessary directives to the concerned officials in the region.

6.4 Business Director

The Director shall oversee the overall management of credit sales in all the regions. His/her specific responsibilities include the followings;

- a. Strategize and plan credit sales in collaboration with all the regions.

¹*Either of the two shall comprise the committee based on the credit sales within their field of work.*

- b. Supervise on the overall management of credit sales and recovery.
- c. Ensure that execution of credit sales are in conformation to this Manual.
- d. Review the overall credit sales performance every month.
- e. Monitor credit recovery efforts to avoid bad debts.
- f. Carry out any other task deemed beneficial to strengthen the credit sales.

6.5 Regional Director (RD)

Regional Director shall be responsible for the coordination and supervision of credit sales within the region. They are responsible to:

- a. Supervise and monitor the overall credit sales performance within the region.
- b. Ensure strict execution of credit manual and its compliance.
- c. Monitor credit appraisal system in all the outlets within the region.
- d. Ensure effective management of credit defaulters through appropriate means.
- e. Monitor credit collections and the daily aging reports within the region.
- f. Carry out any other task assigned by the CEO strengthen credit sale.

6.6 Credit Monitoring Officer (CMO), HQ

The Management shall have a dedicated CMO and s/he shall carryout the following responsibilities:

- a. Monitor credit sales regularly share monthly report to the supervisor.
- b. Ensure that credit sales and recoveries are in conformity to this manual.
- c. Create customer name in the ERP system for credit sales.
- d. Compile the credit default reports forwarded by the RCMO/RCMC and submit to the respective divisional Heads for their intervention.
- e. Report unresolved default cases to the CMC along with necessary documents for interventions
- f. Act as a member Secretary to the CMC and carry out any tasks assigned by the CMC.

6.7 Regional Credit Monitoring Officer (RCMO)

Regional office shall appoint a dedicated Credit Monitoring Officer. S/he shall carryout the following responsibilities:

- a. Monitor and record the credit sales on the regular basis in close association with the credit officers.
- b. Ensure credit sales and recoveries are in conformity to this manual.
- c. Compile the monthly credit reports and submit to the RD.
- d. Report default cases to RCMC along with necessary documents for necessary interventions.
- e. Forward the default cases to the CMO after the RCMC"s decision to put up to the CMC for further action.
- f. Act as a member secretary to the RCMC and carry out any other task assigned by the RCMC.



6.8 Credit Officer (CO)

The officials who are directly engaged in providing or recommending the credit sales such as through Warehouse/Depot/Retail/Auction yard are considered as the Credit Officers in this particular context. The Credit Officer shall be responsible to;

- a. Act as the link between the customers/bidders and the FCBL.
- b. Assess the credit worthiness of the customers/bidders prior to sanctioning or recommending to the next level of approving authority.
- c. Manage day-to-day credit sales and maintain proper accounts.
- d. Follow-up on the credit outstanding, if any, as per the manual.
- e. Ensure invoice accuracy; settle disputes, make necessary deductions, if any.
- f. Refrain from the credit sales based on mutual understanding.
- g. Ensure to furnish full set of documents to RCMO should the case require further review.
- h. Report to immediate supervisor on a monthly basis.
- i. Create bidder"s name in the Auction module of the ERP system (*applicable only to Auction Yard Complex Manger or In-Charge*)

6.9 Credit Approval Limit

The following table details the credit approval limit across the various levels of approving authorities;

Approving Authority	Approval Limits in terms of Credit amount/Case		
	FG & Essential Items		Auction Sales
	Institutional Clients	Private retail & wholesale customers	Individual Bidders
Credit Management Committee (CMC)	No Credit limit shall be applied unless otherwise advised by the CMC or RCMC	Above Nu. 1.00 Million	Up to Nu. 40.00 Million
Regional Credit Management Committee (RCMC)		Up to Nu. 1.00 Million	Up to Nu. 5.00 Million
Depot In-charge		Up to Nu. 0.5 Million	NA

6.10 Compensatory Damages (Penalty) Waive-Off

The authority to waive-off compensatory damages (Penalty) on credit outstanding shall be approved as follows:

Compensatory Damage Waive-off Authority	Compensatory Damage Amount per Customer/ Bidder	
Board of Directors (BoD)	Above Nu.	50,000.00
Credit Management Committee (CMC)	Up to Nu.	50,000.00

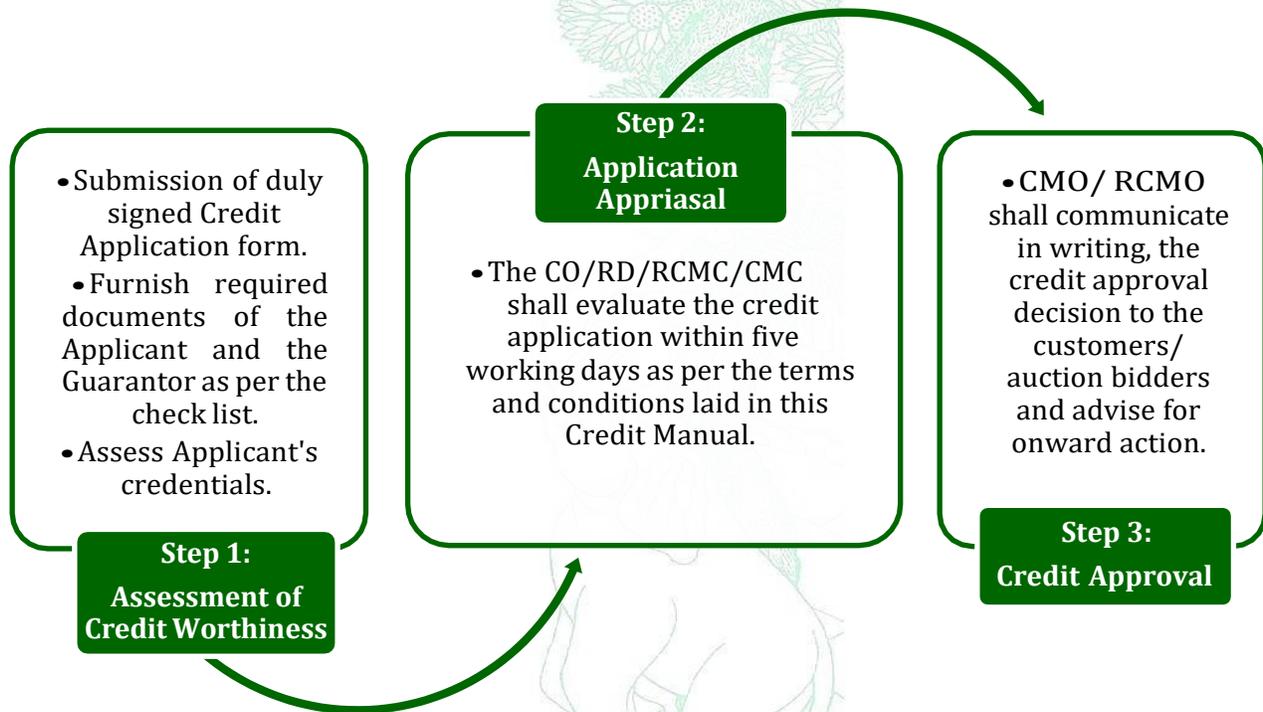
The compensatory damage (Penalty) waive-off shall only be considered upon receiving a formal request letter from the customers/auction bidders if the inability to settle the credit dues on time due to any of the following reasons:

- Affected by natural calamities supported by appropriate evidence.
- Compensatory damages waive-off from the court
- Any other factors deemed genuine and relevant by the BoD and CMC

However, waive-off cases pertaining to the principle amount shall be dealt as per the court verdict.

7 CREDIT PROCEDURES

The diagram below shows different steps involved in the credit appraisal procedures which shall be applied to all the customers/ auction bidders.





8 TERMS AND CONDITION

Considering the difference in the nature of work involved while extending credit sales for FG, EI and the auction sales of perishable farm produce, this document details out two separate terms and condition as follow;

8.1 Terms and Conditions for the Credit sales of FG & EI

- a. Credit sales shall be facilitated to institutions such as government, non-government, SoEs, monastic institutions etc.
- b. Credit sales to private retail outlets and wholesalers shall be facilitated only from single FCBL outlet.
- c. A subsequent credit sale to customer shall be provided on the condition that the total credit availed remains within the specified credit limit and is fully settled within the credit period.
- d. Customers with records of credit default cases with FCBL shall not be eligible for credit sales, except for government and public institutions. However, if private customers settle the defaulted amount within 10 days of the default period, they shall be eligible for the next credit.
- e. Any bank cheques from the customers shall be issued in the name of the Food Corporation of Bhutan Limited (FCBL).
- f. Customers shall thoroughly check the goods before lifting from FCBL warehouses.
- g. Returning of sold items shall not be accepted under any circumstances.
- h. Customers may place orders electronically but the goods ordered by the customers shall be delivered only upon signing the sales invoice.
- i. The credit sales shall be provided for the duration not exceeding 35 days to private agencies, 45 days to Government agencies and franchised farm shops.
- j. Credit Sales shall be facilitated to the institutional customers upon the execution of agreement in accordance with the clause 8.1(i) and credit sales agreement form **Annex 6**.
- k. All customers failing to liquidate the credit within the agreed credit period are liable for 2% compensatory damages (Penalty) per month on the credit amount. However, compensatory damages shall be calculated based on the number of working days after the completion of the credit period.
- l. Should the customers fail to liquidate the credit amount, including the compensatory damage (Penalty), s/he shall be dealt as per the laws of the Kingdom of Bhutan.

8.2 Terms and Conditions for the Credit sales of farm produce through Auction Service

- a. The credit shall be provided only to the registered bidders based on their written request.
- b. The credit sales shall only be facilitated starting the month of October and any transaction prior to October month will be on cash payment system with grace period of 15 working days from the date of invoice considering the time taken for banking transactions.
- c. Bidder wishing to avail credit facility should have valid trade license and must furnish collateral in any of the following forms;
 - i. **Bank Guarantee:** Bidder shall furnish Bank Guarantee from a recognized bank.
 - ii. **Collateral:** Bidder shall furnish collateral of fixed asset. Subsequently s/he shall sign a letter of undertaking authorizing FCBL to forfeit the collateral in case of default.
 - iii. **Guarantor:** Bidder shall furnish a signed letter of undertaking from a Guarantor who has a reliable source of income and the Guarantor should furnish the collateral of fixed assets or Bank Guarantee.
- d. The maximum credit amount, a worthy bidder can avail per season shall be fixed as per the credit approval limit structure of this manual and in close reference to the clause 8.2(c) of this document.
- e. The bidder shall be provided with 90 days credit period from the date of invoice to clear the credit.
- f. Any bidder failing to liquidate the credit dues within the credit period shall be liable for 2% compensatory damages (Penalty) per month on the invoice value thereafter.
- g. In case the bidder continues to be negligent and does not liquidate the credit outstanding amount along with the compensatory damages (Penalty), FCBL management shall resort to a legal recourse.
- h. No credit shall be provided based on mutual understanding.
- i. Goods once sold through auction shall be at the risk of the bidders even if the sold lot is within FCBL premises.



9 CREDIT RECOVERY

All concerned (Credit Officers/Committee) shall adhere to the timeframe and course of action specified below for credit recovery;

Notification Schedule (Day)			
Private Retail and Wholesale outlets	Institutions & Franchised Farm Shops	Auction Bidder	Action to be taken from the date of invoice ²
30	40	85	Reminder Notice
45	55	100	Forward to Regional Credit Committee
55	65	110	Forward to CMO, HQ with complete set of documents - refer Clause 10(b)
65	75	120	CMC and Forward to Legal Unit

10 LITIGATION OF DEBTORS

- a. Upon receiving credit default cases, the Legal Unit shall immediately initiate legal course of actions and intimate Finance and Accounts Division to book under the provision under doubtful debt.
- b. The credit officer shall be responsible to obtain and forward the following documents for litigation along with the **case summary**;
 - (1) Valid Citizenship Identity Card of Customer & Guarantor (Copy)/ Voter Card copy in case of Auction bidders.
 - (2) Credit Sales Agreement form **Annex 6/7**(Original) *(for only FG & EI)*
 - (3) Credit Application Form (Original)
 - (4) Credit invoices signed by the Customer/bidder (Original)
 - (5) Credit Confirmation letter (Original)
 - (6) Business License (Copy)
 - (7) Written Reminder Notices by officials concerned, RCMC and CMC(Copies)

²The officials concerned/ Committee should follow up with written notice prior to forwarding the case to the next higher authority

11 ANNEXURE

Annex 1. Auction Credit Application Form

BIDDER'S INFORMATION

Bidder's Name: CID/Voter Card No:
Present Address: Permanent Address:
State: State:
District: District:
Village: Village:
Street/ Gewog: Street/ Gewog:
Billing Address:
Contact No.
Email:
Bidder's proposed credit amount (Nu):

Passport Size
Photo

TERMS AND CONDITIONS

- 1) The credit shall be provided only to the registered bidders based on their written request.
- 2) The credit sales shall only be facilitated starting the month of October.
- 3) Bidder wishing to avail credit facility should have valid trade license and must furnish collateral in any of the following forms;
 - i. **Bank Guarantee:** Bidder shall furnish Bank Guarantee from a recognized bank.
 - ii. **Collateral:** Bidder shall furnish collateral of fixed asset. Subsequently s/he shall sign a letter of undertaking authorizing FCBL to forfeit the collateral in case of default.
 - iii. **Guarantor:** Bidder shall furnish a signed letter of undertaking from a Guarantor who has a reliable source of income and the Guarantor should furnish the collateral of fixed assets or Bank Guarantee.
- 4) The maximum credit amount, a worthy bidder can avail per season shall be fixed as per the credit approval limit structure of the Credit Manual and in close reference to the clause no. 3 above.
- 5) The bidder will be provided with a 90 days credit period from the date of invoice to clear the credit.
- 6) The bidder failing to liquidate the credit dues within the credit period shall be liable for 2% compensatory damages (Penalty) per month on the invoice value thereafter.

In case the bidder continues to be negligent and does not liquidate the credit outstanding amount along with the compensatory damages (Penalty), FCBL management shall resort to a legal recourse in Bhutan to forfeit the collateral.
- 7) No credit shall be provided based on mutual understanding.
- 8) Goods once sold through auction shall be at the risk of the bidders even if the sold lot is within FCBL premises
- 9)



Applicant's Declaration:

I hereby agree to comply with all the above terms and conditions and attest my signature below. I authorize FCBL to take any legal actions in case of failure to repay the complete credit outstanding amount with compensatory damages (Penalty) of 24% per annum within the stipulated time.

Date:

Affix Legal Stamp & Thumb impression over

WITNESS INFORMATION

Name:

CID/Voter Card No:

Present Address:

Contact No.:

Email:

Witness Declaration:

I hereby undertake to stand as a witness of the applicant having understood the above terms and condition and attest by signature as below.

Witness Signature: _____

Note: The following documents should be attached with the application (mandatory).

1. Copy of the CID or Voter Card of the Applicant and Witness.
2. Any one of the followings;
 - a. Bank Guarantee from a Recognized Bank.
 - b. Original collateral documents.
 - c. Undertaking letter authorizing FCBL to forfeit the collateral should the bidder fail to pay the credit (Annex- 4)
 - d. Undertaking letter from a Guarantor (Annex-6)

OFFICIAL USE ONLY

Credit Officer's Name:

Auction Yard Location:

Recommendation for the approval of Credit Amount (Nu):

Date and signature of the Credit Officer:

Remarks by the Approving Authority:

Credit Amount (Nu):

Approving Authority (Please tick): RCMC CMC (Company Seal)

Date and Signature of the Approving Authority
(Chairman of the Committee):

Annex 2. Auction Credit Confirmation Form

This is to certify that I, Mr/Mrs/Ms:.....bearing CID /Voter Card No.....from..... *Village*),..... (Gewog/*Block/Street*),(*District*),..... (*State*),purchased farm produce as detailed in the table below, on credit from the FCBL Auction Yard: (*Location*). The credit outstanding amount that the undersigned owes to FCBL as on (*dd/mm/yy*) is Nu (..... only (in words)):

Invoice No.	Invoice Date	Credit Amount (Nu)	Penalty Amount(Nu)	Amount Received (Nu)	Balance Amount (Nu)
Total Balance Amount (Nu.)					

In presence of the following witness, I attest my signature hereunder;

Affix Legal Stamp with Thumb Impression over

Date & Thumb Impression of the Bidder: _____

Witness:

Name:
 CID /Voter Card No:
 Contact No:
 Signature:

 Name & Signature of the Credit Officer:
 Auction Yard:
 Date:



Annex 3. Auction Bidder's Letter of Undertaking

BIDDER'S INFORMATION

Bidder's Name:	Voter ID Card No:
Present Address:	Permanent Address:
State:	State:
District:	District:
Village:	Village:
Street/ Gewog:	Street/ Gewog:
Contact No:	
Email:	

PARTICULARS OF MORTGAGE FOR SECURITY [Note: All the relevant documents should be enclosed]

Particulars	Building 1	Building 2	Land	Particulars	Vehicle 1	Vehicle 2
No. of Storied				Chassis no.		
Thram/Plot No.				Engine no.		
House No.				Model no.		
Area (decimal/acre/sq.ft)				Registration no. & Date		
Location				Owner's name		
Owner's Name				Vehicle type		
Value (Nu./Rs.)				Value		
Total Value						

DECLARATION:

I/we hereby undertake and mortgage the above-detailed particulars as collateral security deposit to avail credit from FCBL. I/we declare that the provided information is true, accurate, complete, and up to date in all respects. I/we authorize the Food Corporation of Bhutan Limited (FCBL) to conduct necessary references and inquiries regarding the information provided in this application. I/we understand that FCBL will not be held liable for the use of this information.

I/we are obligated to promptly inform FCBL of any changes in the details provided above. I/we have read and understood the terms and conditions pertaining to the credit, and I/we hereby agree to adhere to these terms and conditions, including any additional or revised terms that FCBL may introduce while the outstanding credit obtained by me/us is still in effect.

In the event of noncompliance with the terms and conditions, I/we hereby authorize FCBL to take legal action or forfeit the aforementioned collateral.

(Thumb Impression of Bidder)

Date:

Place:

Affix Legal
Stamp and
Thumb
impression
over

WITNESS:

I hereby undertake to stand as a witness of the applicant and attest my signature as below;

Name of the Witness 1:

Address:

Name of the Witness 2:

Address:

CID /Voter Card No:

Contact No.

CID /Voter Card No:

Contact No.

Signature of the witness 1:

Signature of the witness 2:

Note: Bidder is required to bring the original copies of all the documents for verification by the Food Corporation of Bhutan Limited (FCBL).



Annex 4.Guarantor Undertaking (Auction Sales)

I,..... bearing CID/Voter card no
from Village Block and
District currently residing in.....hereby agree to stand as the
guarantor for Mr./Mrs./Ms with CID/voter card no.
..... who is currently registered as a bidder with FCBL.

The undersigned assure that Mr./Ms./Mrs. shall settle the
entire outstanding credit amount within the stipulated time period. I shall be fully responsible in
the event of her/his failure to repay the amount within the specified timeframe, and I hereby
authorize FCBL to take necessary legal actions to recover the amount along with 2%
compensatory damages(Penalty) per month from me or forfeit the collateral.

Affix Legal
Stamp and
Thumb
impression
over

Name & Thumb impression of the Guarantor:
Contact Number:
Date:

Witness 1:

Name:
CID No. :
Contact No:

Signature:

Witness 2:

Name:
CID No.:
Contact No:

Signature:

Annex 5. Credit Application Form (FG& EI)

CUSTOMER INFORMATION				
Customer Name				Passport size Photo
Business Name				
CID No.				
Trade License No.				
Permanent Address	Dzongkhag:	Gewog:		
	Village:	House No.:	Thram No.:	
Present Address				
Fixed No.	Mobile No.			
Fax No.	Email ID			
GUARANTOR INFORMATION				
Guarantor Name	CID No.:			
Permanent Address	Dzongkhag	Gewog		
	Village	House No.	Thram No.	
Present Address	Mobile No.			
Phone Number	Email ID			
CUSTOMER ASSESSMENT				
Date of Business Establishment:	Type of Business (e.g. Hotel, Restaurant, Grocery, General Shops, etc.):			
No. of Years in current Business				
Form of Business (Please tick)	<input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Sole Proprietor <input type="checkbox"/> Others			
TERMS & CONDITIONS				

- 1 A customer shall avail credit facilities only from single FCBL outlet. A subsequent credit sale shall be provided to the customers on the condition that earlier
- 2 availed by the customer(s) are fully recovered within the credit period. Any bank cheque from the customers shall be issued in the name of the Food Corporation
- 3 of Bhutan Limited (FCBL).
- 4 Customers shall thoroughly check the goods before lifting from FCBL warehouses
- 5 Returning of sold items shall not be accepted by FCBL under any circumstances. Customer may place order electronically but the goods ordered by the customers shall be
- 6 delivered only upon signing the sales invoice.
- 7 The guarantor must be a Bhutanese citizen aged between 18 to 65 years.
- 8 The credit sales shall be provided for the duration not exceeding 35 days. Should the customer fail to settle the credit amount within the 35-day credit period, s/he
- 9 shall be required to sign the credit sales agreement form (**Annex. 7**)



- 10 In the event of failure to settle the credit amount within the specified credit period, the customer shall be liable for 2% compensatory damages (Penalty) per month, and appropriate actions will be taken in accordance with the laws of the Kingdom of Bhutan.
- 11 The customer shall update his/her personal information as and when there is any change.

Applicant: I acknowledge this credit application form and confirm my commitment to adhere to all the specified terms and conditions by affixing my signature below. I authorize FCBL to take legal actions in case of my failure to repay the credited amount within the designated timeframe, which may result in me being liable for compensatory damages (Penalty) at a rate of 2% per month.

Affix Legal Stamp and Thumb impression over

Guarantor: I affirm my commitment to act as a guarantor and assume the responsibility of repaying the credited amount, along with potential compensatory damages (Penalty) at a rate of 2% per month, if the credit is not recovered from the applicant within the specified time period.

Affix Legal Stamp and Thumb impression over

Witness 1:

Name:
CID No. :
Contact No:

Signature:

Witness 2:

Name:
CID No.:
Contact No:

Signature:



OFFICIAL USE ONLY

Credit Officer's Name:

Location:

Remarks/Recommendation:

Date and signature of the Credit Officer:

Remarks by the Approving Authority:

Approving Authority (Please tick): Regional Director RCMC CMC

Name and Designation of the Approving Authority
(Chairman if it's a Committee):

(Company Seal)

Date and signature of the Approving Authority/Chairman:

Check List for the credit application:

1. Duly filled and signed Credit Application Form by the Applicant and Guarantor on the Legal Stamp.
2. Attach copy of Citizenship Identity Card of the Applicant and Guarantor
3. Copy of Valid Trade License.



Annex 6. Credit Sales Agreement (Institutional clients)

This Agreement is executed between the....., located in(Name of the place) (*hereinafter referred to as 'Customer'*) and **Food Corporation of Bhutan Limited**, a state-owned enterprise regulated under Companies Act of Bhutan, 2016, with its headquarter located in Phuentsholing Bhutan (*hereinafter referred to 'FCBL'*) and jointly referred to as „Parties“ for the purpose of this Agreement.

WHEREAS, the customer wishes to avail Credit Sales from FCBL;

WHEREAS, FCBL, desires to offer Credit Sales to.....for food and essential commodities that are available with FCBL;

NOW THEREFORE, The Parties hereby agree as follows:

ARTICLE 1 OBJECTIVES

1. The objective of collaboration under this Agreement is to facilitate a Credit Sales of food and essential commodities as per the terms and conditions set out in this Agreement.

ARTICLE 2 TERMS AND CONDITIONS

2. The Parties commit to abide by the terms and conditions of this Agreement as prescribed here under:

2.1) FCBL shall:

- a) Supply food and essential commodities as per the requirement of the customer from the stock that is available with FCBL at that particular point of time.
- b) Supply of food and essential commodities only after the receipt of supply order.
- c) Submit the consolidated invoice to the customer for payment after the completion of supply of commodities as per the supply order.
- d) Not accept returning of sold items under any circumstances.
- e) Obtain credit confirmation, if necessary, for authentication of credit sales.

2.2) Customer shall:

- a) Register itself with the FCBL to avail credit facilities.
- b) Make payment against the procured goods from FCBL within 45 days from the date of invoice without fail.
- c) Release payments in the form of cheque or cash against the consolidated invoice in favour of FCBL.
- d) Thoroughly check the goods before lifting from FCBL warehouses/sales outlets.
- e) May place orders electronically but shall lift only upon signing the sales invoice.

**ARTICLE 3
TERM OF AGREEMENT**

3. This agreement is duly executed as of effective date with two original copies with both parties retaining one copy each. This agreement shall be valid for a period of year(s) with effect from.....

**ARTICLE 4
PAYMENT AND CREDIT PERIOD**

- 4.1 Provide credit sale as per the supply order which shall be recovered by FCBL withindays from the date of credit sale.
- 4.2 In the event of failure to settle the credit amount within the specified credit period, the customer shall be liable for 2% compensatory damages (Penalty) per month and appropriate actions will be taken in accordance with the laws of the Kingdom of Bhutan.

**ARTICLE 5
TERMINATION**

- 5 The Parties may terminate this agreement by giving an advance written notice of one month to the other party in the event of:
- a) Inability to operate as per the agreement;
 - b) Irreconcilable ideological differences between the parties;
 - c) Lack of cooperation from either party;

**ARTICLE 6
INDEMNITY**

- 6 All liabilities arising from or in connection to the activities carried out by the customer shall be the responsibility of the customer and no liability of any nature shall be passed to the FCBL, and vice versa.

**ARTICLE 7
AMENDMENT, EXTENSION AND SETTLEMENT OF DISPUTE**

- 7.1 This agreement may be amended or extended on a mutual consent of the Parties. The consent shall be expressed in writing one month prior to the date of amendment or extension.
- 7.2 Any differences or disputes arising between the Parties concerning the interpretation or implementation of the activities under this Agreement shall be resolved amicably through negotiation. If such efforts fail to yield a resolution, the matter shall be referred to the Royal Court of Bhutan for adjudication.

**ARTICLE 8
LAW GOVERNING**

8. Any activities carried out under this Agreement shall be governed by the laws of Kingdom of Bhutan.



IN WITNESS THEREOF, the parties hereto have signed this Agreement on.....day of the month of the yearon behalf of:

FCBL		Customer	
Company Seal	AFFIX LEGAL STAMP	Company Seal	AFFIX LEGAL STAMP

Name:
 Designation:
 Location:
 Date:

Name:
 Designation:
 Present Address:
 Contact No.:
 Email ID:

WITNESS

Name:
 Designation:
 Agency:
 Date:
 CID No. :

Name:
 Present Address:
 Contact No.:
 Date:
 Email ID:
 CID No:

REMARKS:

- i. The official stamp of the institution must be affixed along with signature.

Annex 7. Credit Sales Agreement (For private retail and wholesale customers)

THIS LEGAL DOCUMENT (hereinafter referred to as the “Credit Sales Agreement”) is made on.....at..... BETWEEN the Food Corporation of Bhutan Limited, having its registered office at (Herein after referred to as the “Seller”),

AND Mr./Mrs. from..... (Village), (Gewog) under..... (Dungkhag), (Dzongkhag) Thram No..... House No....., bearing the Bhutanese Citizenship Identity Card No....., currently residing /working at registered as.....(Exact name as registered in the ERP System) (Herein after referred to as the “Buyer”)

RECITALS

WHEREAS the Buyer has requested/proposed to buy essential items on credit worth of Nu..... Ngultrum (in words) from the Seller for the purpose of their business.

AND WHEREAS the seller extend credit to the buyer worth NuNgultrum..... (in words) for the said purpose.

NOW, THEREFORE, the parties agree as follows:

1. DEFINITIONS

For the purpose of this agreement, unless the context requires otherwise, the following terms shall have the following meaning:

“Agreement” means this Credit Agreement.

“Buyer” means the person who is buying something or legal entity to whom or in whose name the seller has extended or granted the credit under the Agreement.

“Seller” means the person or legal entity who sells a thing or property in consideration of money to the buyer.

“Event of Default” Each of the following events shall be considered as an event of default:

- a. If any default shall have occurred in payment of any amounts due under this agreement;
- b. The Buyer, having breached or defaulted in the performance or observance of any of the covenants and obligations contained therein the Agreement.
- c. If any information given by the Buyer to the Seller is found to be misleading/misrepresented/incorrect.
- d. The Buyer becomes insolvent or any insolvency proceedings are instituted against the Buyer, whichever is earlier.



- e. The Buyer failing to comply with the written reminders and notices issued by the Seller.

“Compensatory Damages” means the damages that are chargeable on the credit amount or outstanding amount which includes compensation for the loss or damage cause in the usual of things from such breach under this Agreement.

"Credit Amount” means the amount made available to the buyer by the seller under this agreement.

"Outstanding Amount” means at any given point of time the aggregate of the outstanding credit amount, which is inclusive of compensatory damages (Penalty), expenses and any other charges applicable.

"Party(s)" means the buyer and the seller under this agreement.

2. COMPENSATORY DAMAGES (PENALTY)

- a. The compensatory Damages (Penalty) will be calculated at a rate of 2% per month for days exceeding the credit period.
- b. The seller shall be entitled to revise the rate of Compensatory Damages (Penalty) on the account in accordance with the directives of the Board of Directors.

3. TERM AND REPAYMENT

The buyer shall repay the entire credit outstanding balance within a period of.....Months/days or latest by _/_/. The failure on the Buyer to pay the amount due within the stipulated time period shall result in levying of 24% compensatory damages (Penalty) per annum and other charges/cost, if any from the date of bill maturity.

4. GUARANTEE (If applicable)

- a. The buyer shall provide a new guarantor, if the current/existing guarantor is required to be discharged.
- b. The guarantor shall have the same liability as that of the buyer for any obligation under this agreement.

5. CREDIT DEFAULT AND REMEDIES

In the event of default, the seller shall have the right to file a recovery suit before a court of competent jurisdiction against the buyer to recover the entire credit amount outstanding, including compensatory damages (Penalty), fees and costs.

6. GOVERNING LAW AND JURISDICTION

The relevant laws of the Kingdom of Bhutan shall govern this Agreement. Any dispute arising out of and/or in connection with this agreement shall be submitted to the court of competent jurisdiction in Bhutan, for adjudication.

IN WITNESS THEREOF, the parties hereto have signed this Agreement on.....day of the month of the year on behalf of:

FCBL **Customer**

Company Seal

AFFIX
LEGAL
STAMP

Company Seal

AFFIX
LEGAL
STAMP

Name:

Designation:

Location:

Name:

CID No.:

Present Address:

Permanent Address:

Contact No.:

Email ID:

WITNESS

Name:

Contact No.:

CID No. :

Name:

Contact No.:

CID No. :

Guarantor:

Name:

CID:

Contact Number:

AFFIX
LEGAL
STAMP

Thump Impression



HQ, Phuentsholing
Food Corporation of Bhutan Limited
(+975) 05 252241, drukfood@fcbl.bt, www.fcbl.bt