Issue of Bank Guarantee in respect of advances paid by the Central Government Departments to
the State level enterprises—Clarifications.

Reference is invited to BPE's O.M. No. BPE/19(2)/Adv.(F)/83 dated the 27th October, 1983, regarding the
question of obtaining guarantees from the State Governments in respect of advances paid by central public
enterprises to State level public enterprises. As central public enterprises were expected to observe normal
business principles and undertake profitable operations, it was clarified therein that they had the discretion to
take a view in this regard.

2. The question whether the Central Government Departments should insist on guarantees from State
Governments in respect of advances paid by these Departments to State level public enterprises, has been
examined and it has been decided that Departments may treat State Government undertakings on par with
Central public enterprises depending on the circumstances of the case.

(DPE No. BPE/19(2)/Adv.(F)/83 dated 02/07/1984)

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