

Cir. No.: 145/PVC/CLAR/02

20th October 2014

To Members of Conductor division, Subscribers of PV Circulars
All SEBs, Utilities and other listed Purchasing Organizations

Sub: Publishing of New Conductor PV formula – based on Daily LME Aluminium prices

Users may recall that from August 2013, IEEMA had started publishing LME Average price of Aluminium in required IEEMA PV circulars including Conductors. The same was notified vide Cir. No. 135/PVC/CLAR/02 dated 1st August 2013 with the background and recommendation to use this price for price variation calculations for future contracts.

After one year of providing LME Average Aluminium prices as an alternative, Conductor manufacturers have further deliberated internally and with some users and decided to move towards Daily LME Aluminium prices.

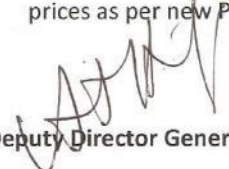
The Draft PV clause of Conductor was circulated vide cir. No. 127/PVC/CLAR/02 dated 12th September 2014 to all stakeholders for their review and comments. Since no comments were received, we are now making it operational and make it effective from 1st September 2014. The new PV clause is enclosed for your perusal.

The salient points of the same are as under:

- LME prices are transparent, hedge-able and highly credible.
- Consumers of Aluminium Conductors & cables and other Aluminium based products are linking their Purchase Orders with the LME.
- Frequent changes in domestic Aluminium prices is creating volatility and posing difficulties for buyers; since domestic suppliers follow pricing based on LME price trend on ad-hoc basis.
- The Daily LME Aluminium price will be worked out by adding Premium charges for Aluminium.

We recommend incorporating this new PV clause in all future tenders. We recommend following methodology to arrive at price variation for all the pending contracts having old IEEMA PV clause of Conductors (effective from 1st April 2012)

1. Calculate 'P' from the date of tendering /base date of the contract as per old IEEMA PV clause of Conductors up to September 2014 i.e. considering prices of 1st September 2014 as per old PV clause of Conductors at the denominator
2. Treat the above calculated 'P' and 'P₀' and calculate final price variation using new IEEMA PV clause for Conductors from September 2014 i.e. considering prices of 1st September 2014 as per new PV clause of Conductors at the numerator up to the date of delivery i.e. by considering appropriate prices as per new PV clause of Conductors.


Deputy Director General

Encl: IEEMA PV clause of Conductors ref. IEEMA(PVC)/Coductors_LME effective from 1st September 2014

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