

Cir. No.: 160/PVC/CLAR/02

4th November 2014

To Members of Cable division, Subscribers of PVCirculars  
All SEBs Utilities and other listed Purchasing Organizations

**Sub: Discontinuation of Domestic Aluminium price and using only London Metal Exchange (LME) Aluminium prices in Cable PV circular w.e.f September 2014**

Users may recall that from August 2013, IEEMA had started publishing LME Average price of Aluminium in required IEEMA PV circulars including Cable. The same was notified vide Cir. No. 135/PVC/CLAR/02 dated 1<sup>st</sup> 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, we are sure you would have started incorporating this price in your tenders/contracts. IEEMA in consultation with IEEMA Cable manufacturer members has decided to discontinue publishing domestic price of "EC grade Aluminium rods (properzi rods) conforming to specification IS-5484-1978" and decided to move towards "LME Average Settlement Price of Aluminium".

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 LME Average Aluminium price will be worked out by adding Premium charges for Aluminium.

We recommend incorporating "LME Average Settlement Price of Aluminium" in all future tenders. We recommend following methodology to arrive at price variation for all the pending contracts having domestic AL price i.e. "ECgrade Aluminium rods (properzi rods) conforming to specification IS-5484-1978".

**Step I.**

Calculate 'P' as per IEEMA PV clause of Cable (w.e.f. 1st Jan 2007) from the date of tendering/base date of the contract up to September 2014 i.e. considering September 2014 prices of domestic AL, Copper, PVC & Steel applicable as prices for date of delivery

**Step II.**

Treat the above calculated 'P' as 'P0' and calculate final price variation using "LME Average Settlement Price of Aluminium" for AL and all other prices i.e. considering prices of 1st September 2014 applicable as prices for date of tendering up to the date of delivery using same IEEMA PV clause of Cable (w.e.f. 1<sup>st</sup> Jan 2007).

\* The details of arriving final value of P as per above step I and step II using IEEMA PV calculator tool [www.pvcalculator.ieema.org](http://www.pvcalculator.ieema.org) is illustrated on the 2<sup>nd</sup> page. The 3<sup>rd</sup> page contains monthly PV circular of Cable.

Those who have already incorporated use of LME average Aluminium prices in the contract need not use the above method.

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In IEEMA Cable Price variation circular, domestic prices of Aluminium (EC grade Aluminium rods (properzi rods) conforming to specification IS-5484-1978) are published up to September 2014 and from October 2014 LME AL (LME Average Settlement Price including Premium for Ingot) started publishing.

**Recommended Two steps methodology to arrive at final value of 'P' for pending contracts of Cable with base date/date of tendering earlier than 1<sup>st</sup> October 2014, where domestic Aluminium rod price is referred /used.**

Important:

For step I submit 'date of delivery' as 1<sup>st</sup> October 2014 which will capture domestic prices of Aluminium (EC grade Aluminium rods (properzi rods) conforming to specification IS-5484-1978) of 1<sup>st</sup> September 2014 as per IEEMA Cable PV clause having lag of one month for Aluminium.

Similarly in step II, same date i.e. 1<sup>st</sup> October 2014 month to be submitted as 'date of tendering' which will capture LME AL (LME Average Settlement Price including Premium for Ingot) of 1<sup>st</sup> September 2014 as per IEEMA Cable PV clause having lag of one month for Aluminium.

**STEP I:**

1. Login to IEEMA PV Calculator (<http://pvcalculator.ieema.org>) – buy the credit package
2. Go to "PV CALCULATOR" menu
3. Enter **Price quoted (P<sub>0</sub>)** - value in Rs/kM of Cable supplied  
**Date of tendering** - base date / date of tendering of the contract  
**Date of delivery** - 1<sup>st</sup> October 2014 (fixed)
4. Select the formula category and the applicable formula. Click on "Calculate PV"
5. Select the applicable parameters like "condition, cross section, core size, shape and armouring"
6. Select Aluminium (AL) price as "Domestic" (EC grade Aluminium rods (properzi rods) conforming to specification IS-5484-1978)
7. Press button "Calculate Price Variation"
8. You will get **Final value P (STEP I)**. Download the certified output and close the window.

**STEP II:**

1. Go to "PV CALCULATOR" menu
2. Enter **Price quoted (P<sub>0</sub>)** – **Final value P** arrived from STEP I  
**Date of tendering** – 1<sup>st</sup> October 2014 (fixed)  
**Date of delivery** – date of dispatch as per contract /agreement
3. Select the formula category and the applicable formula. Click on "Calculate PV"
4. Select the applicable parameters like "condition, cross section, core size, shape and armouring"
5. Select Aluminium (AL) price as "LME AL" ( LME Average Settlement Price including Premium for Ingot)
6. Press button "Calculate Price Variation"
7. You will get **Final value P (STEP II)**. Download the certified output and close the window.

Final price of Cable supplied = Final P (STEP II) X no. of kM

Submit both the certified output along with circular no.160/PVC/CLAR/02 dated 4th November 2014 and relevant monthly price variation circular; if required to settle price variation query.

For any further clarification please contact to Ms. Anuja Korgaonkar ([anuja.korgaonkar@ieema.org](mailto:anuja.korgaonkar@ieema.org))

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