



Indian Electrical & Electronics Manufacturer's Association
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Director General

SEC/REP/S/129

3rd June 2021

Dear Shri Kumar,

Sub: Our Meeting with you on 21st May 2021 regarding Relief to Electrical Equipment Manufacturers of West Bengal

We are writing with reference to our meeting on 21st May 2021, and extend my sincere gratitude to you, on behalf of IEEMA President and Members from West Bengal, for hearing us on the issues faced by industry and providing your immediate solutions on those issues.

We are sure your remedies would encourage our membership to plan and work with renewed vigor. We assure you that in times to come, we will be able to collaborate and join our hands on further development of the power sector in West Bengal.

You had desired IEEMA to impart field knowledge and experience to graduate electrical engineers at utilities and also at Industry, before they take up full time jobs. IEEMA Eastern Region Committee undertakes a similar activity for the students of Asansol Engineering College, where the students interact and are given exposure in the industry to improve their knowledge and skillset. Similar activities can be planned for students from Jadavpur University and IEST, Shibpur students. As advised by you, IEEMA will connect with Shri Sabyasachi Roy, Director (Operations), WBSEDCL to take the initiative forward.

We would also like to draw your kind attention to the fact that various State Governments, private utilities, PSUs and other private purchasing organisations, have been using IEEMA Price Variation clauses and applicable prices/Indices for last the 40 years.

Basis/Fundamentals of using Uniform Price Variation

Prices of input raw material always move erratically depending upon the market fluctuations, geopolitical issues, government policies etc. Fluctuations in the raw material prices cannot be controlled by supplier and the buyer. The supplier quoting on the basis of firm price for a short-term contracts faces considerable difficulty while bidding since it has to predict the future variation in raw materials and quote accordingly. In such a scenario, the supplier either grossly over quotes to be on the safer side or gambles and under quotes in a highly competitive market.

However, in both the cases there is a disadvantage in some respect to both the suppliers and purchasers. In the first case, the purchaser gets the goods or services at a higher cost, where as in the second case, there is always a tendency of the supplier to delay the supply till the favourable period, resulting in clear disadvantage to the purchaser.

As against this, if the purchaser provides price variation clause even for a shorter period (up to 3 months also) the supplier is not required to speculate on the prices of inputs and therefore bases its quotation on the ruling prices of inputs at the time of quoting. This eliminates not only the speculation and pseudo



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pricing, but also provide reasonably fair price variation to either purchaser or the supplier, as well as, it helps the supplier to maintain a proper delivery schedule.

For most of the electrical equipment used in power transmission and distribution, the total delivery period from the date of quotation varies from 3 months to 3 years. Therefore, all these contracts are ideally to be covered for procurement using price variation clause.

In a nutshell, consistent use of uniform price variation clauses provide relief to both the buyer and the supplier to mitigate the risk arising out of fluctuations in raw materials prices and other costs like labour etc.

IEEMA evolves and operates equitable and uniform Price Variation Clauses (PVCs) by circulating applicable monthly raw material prices and indices to members and other stakeholders. Following is the link to download the same for reference:

<https://ieema.org/about-ieema/services/pv-clauses-prices-indices/>

As discussed during the meeting, IEEMA request your good offices to issue directives for incorporation and consistent use PV Clauses, in existing as well as future contracts, to safeguard the interests of both buyer and supplier.

We would be happy to arrange a training program on this subject for your utilities, at a time and date convenient to you.

The minutes of the meeting will be shared with you shortly

We look forward to kind consideration of our above request.

Best regards,

Yours sincerely

Sunil Misra

**Shri S Suresh Kumar
Additional Chief Secretary
Department of Power
Government of West Bengal**