



Indian Electrical & Electronics Manufacturer's Association
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Deputy Director General

SEC/REP/S/140

17th June 2021

Dear Dr. Shinghal,

SUB: Request for removal of PVC ceiling rate in contracts

The country is passing through very difficult and testing times, due to spread of Covid Pandemic for more than one year and it has impacted many industries, including the electrical industry. It has become a question of survival for the small and medium companies.

Further, the abnormal and unprecedented price rise of all major raw materials, which are critical inputs in the manufacturing of electrical equipment (never witnessed before) has made the position even worse and it has become impossible to execute the contracts with fixed price stipulation or restriction in Price Variation Clause (PVC). The prices of these raw materials rose in the range of 23% - 125%, during the last one year.

To support the same, we are attaching sheets as annexures, with detailed calculations of the increase in raw material prices for Non-Ferrous Metals and Steel.

As reported by IEEMA members, there is a System of Frame Work Agreement i.e. rate contract for 2 years in BHEL for supply of Cables of various sizes. The prices are subject to PVC having a positive ceiling of 20% of PV whereas, no such ceiling is there for negative PV.

Normally, the ceiling of 20% is sufficient to take care of the fluctuation in the prices of base metals like Aluminium and Copper, which are the main raw materials for Aluminium and Copper Cables. However, this extraordinary rise in the prices of all base metals, including Aluminum and Copper, has made a critical and difficult situation for the survival of IEEMA members.

Bharat Heavy Electrical Ltd., being one of the biggest supplier representing the manufacturing sector of electrical equipment, is also witnessing this unprecedented price rise.

We therefore view that limiting the PV, only in case of positive PV, especially when PV is already restricted to the scheduled delivery clause is improper. Further the quantity is also limited to upto +30% but no ceiling on negative side is there.

In view of the above submission, IEEMA requests BHEL on the following to rectify the issue:

- 1) Remove the ceiling of 20% PV in case of positive PV for existing contracts and also to remove the stipulation in future tenders to be more equitable.
- 2) Remove the clause of no negative capping on Quantity and to make it +/-30%.



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It is in the long term interest of the principle to ensure the financial health of suppliers, contractors and vendors. Therefore, it is desirable not to give a contract on unrealistic conditions, so that the supply is hampered and there is significant impact on health of vendors resulting in future sickness and mortality.

Looking forward to favourable consideration of our above request.

Best Regards

Yours sincerely

J. Pande

Dr. Nalin Shinghal
Chairman & Managing Director
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