



Indian Electrical & Electronics Manufacturer's Association
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Director General

SEC/REP/S/091

22nd April 2021

**Dear Mr. Ajay Jain, Dy. General Manager and Mr. Sumeet Sahay, Manager-CMM
 Bharat Heavy Electricals Ltd.,
 Noida, UP**

Dear Mr. Jain / Mr. Sahay

Subject: IEEMA request to incorporate use of Price Variation Clauses without any ceiling

May we from IEEMA take the privilege to share a pressing concern expressed by member of the electrical cable industry in regard to incorporation of ceiling on IEEMA's Price Variation formula in tenders and contracts.

As you are kindly aware that Indian Electrical & Electronics Manufacturers' Association (IEEMA) is the apex representative body of the Indian electrical industry extending over the entire value chain from power generation, transmission, distribution and downstream to the point of consumption of electricity; thereby covering finished products, parts and components, systems and services, we are indulging into this issue which we trust you would appreciate is for the benefit of both the manufacturer and the buyer.

IEEMA, over 5 decades, has been evolving and standardizing equitable Price Variation Clauses (PVCs) with an objective to mitigate the risk of both Buyers and Suppliers arising out of fluctuations in the raw material prices for supply of electrical equipment's over the delivery period which is accepted across the industry and the Government Bodies.

IEEMA PVC acts as a shock absorber and dampens the effect of fluctuations in raw material prices. This also has the objective of ensuring smooth execution of contracts preventing grievances, dissatisfaction and disputes to both and safeguards the supplier and the purchaser. In addition, it facilitates competitive prices as speculative cushion need not be embedded in the prices.

The electrical equipment manufacturing industry is passing through difficult times and unprecedented circumstances due to continuous rise in the prices of basic raw materials, such as, Steel, Aluminium, Copper, Transformer Oil, Insulating materials etc. Over the past one year, price rise has been in the range of 20-40%. By curbing the PVC clause with a ceiling, as in the present situation, is not tenable to execute the supplies which are resulting to huge losses. Presently, the industry is passing through a severe financial crunch due to liquidity crisis and cash flow bottleneck. Many of the manufacturers in the MSME sector are on the verge of closure.



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Your organization being leading PSU, is well aware of these conditions and have adopted IEEMA PVC clause in your contracts. However, we understand from members that in the recent tender enquiry of rate contract with NIT ref. PE/PG/RTC/E-6527/2020 dated 17th Sept 2020, for supply of LT XLPE Power Cables over a long period; a ceiling of 20% on the Price Variation (PVC) has been stipulated.

Since fluctuations of raw material prices both upward and downward are not in control of either buyer or seller, any ceiling on Price Variation (PVC) will undermine the core objectives of PVC

We, therefore, request that no ceiling should be incorporated in IEEMA's PVC clause to maintain fair contracts including the above-mentioned tender enquiry.

We shall be grateful for you to consider our above request

With Best Regards

Sunil Misra