



Indian Electrical &amp; Electronics Manufacturer's Association

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## Director General

SEC/REP/RS/146

13<sup>th</sup> July 2021

Mr. K C Jha  
Advisor - Business Functions and Integration  
Government e-Marketplace (GeM)  
3rd floor, Jeevan Bharti  
Connaught Lane  
Janpath, Connaught Place  
New Delhi – 110 001

Dear Mr. Jha,

### Sub: Request for an Interactive Webinar on Price Variation Contracts under GeM

Indian Electrical & Electronics Manufacturers' Association (IEEMA), is the apex representative body of electrical industry, covering a wide range of electrical, industrial electronics and allied products, encompassing the entire value chain of the sector from power generation, transmission, distribution and downstream to the point of consumption of electricity; thereby covering finished products, parts and components, systems and services. About 80% of the industry members belong to the Micro, Small and Medium Enterprises, which is the backbone of this industry.

Our industry members have informed that the enquiries being generated through GeM portal for supply of various electrical equipment are for firm price contracts only, not with price variation. The concept of uniform price variation in contracts is a well-accepted and trusted principle, practiced over four decades by all large public sector procurement agencies like PGCIL, NTPC, Railways etc., as well as, for major projects in transmission and distribution tendered by State Utilities.

### Basis/Fundamentals of using Uniform Price Variation

Prices of input raw material always move erratically depending upon the market dynamics, 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.

In both these 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 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.

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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. A list of PVCs for the various products, issued by IEEMA, is attached. Following is the link to download the same for reference:

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

We understand that GeM has initiated the provision of bidding for price variation contracts in its portal. This is a welcome move, however our industry members are not aware about the same.

We propose to conduct an interactive webinar for our members on this subject with the GeM leadership, for creating awareness as well as to clear the doubts of our industry members on the same. We are also hopeful of getting valuable suggestions of the industry in this regard.

We request you to kindly suggest a date and time for this webinar, which will benefit our SME members and the industry at large.

We also request you to send us a list of electrical equipment presently on-board in GeMs portal, in order to invite relevant product Division membership.

Look forward to hearing from you.

Thanking you,

Yours faithfully,

J Pande  
Director General (Officiating)

CC: Mr. Prashant Kumar Singh, IAS, Chief Executive Officer, Government e-Marketplace

Mr. Paritosh Singhal, Additional Chief Executive Officer, Government e-Marketplace

Mr. Nirmal Kumar, Deputy Chief Executive Officer, Government e-Marketplace

Mr. V. Manivannan, Joint Director, Government e-Marketplace

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