



Rishyamook Building, First Floor,  
85 A, Panchkuian Road,  
New Delhi 110001,  
INDIA.

P: +91 11 2336 3013/14/16  
F: +91 11 2336 3015  
E: delhi@ieema.org  
www.ieema.org

Charu Mathur | Director General

**SEC/GEN/REP/VA/160**

**5<sup>th</sup> January 2022**

**Shri G. Kumar Naik, IAS  
Additional Chief Secretary  
Department of Energy  
Government of Karnataka**

Dear Shri Naik,

**Sub: Use of Price Variation Clauses for safeguarding interests of both Buyers and Sellers**

Use of uniform Price Variation (PV) in contracts is a fair, well-accepted and trusted principle, practiced over years by all large public sector undertakings including PGCIL, NTPC, Railways etc. Major projects in transmission and distribution tendered by most of the State Utilities also follow the concept of PV.

IEEMA, over past 5 decades, has been operating Price Variation Clauses (PVCs) for more than 40 major electrical products and services. Monthly applicable raw material prices and indices are published for operating these PVCs for the benefit of all stakeholders, including the buyers and the sellers.

We are enclosing a document titled “**Price Variation Clauses - safeguarding interests of both Buyers and Sellers**” for your perusal. The document touches upon the following key points, explaining them in details.

- Fundamentals of need for an equitable and uniform Price Variation Clause,
- IEEMA Price Variation Clauses, Objectives, Credentials and key highlights
- IEEMA PVC – an insulation against fluctuation with previous experiences
- Price Variation trends of major electrical equipment using IEEMA PVC with base June 2015-100
- Price trends of major raw materials, Labour index and USD vs INR during past 5 years
- IEEMA Publications web site for accessing PV circulars and List of IEEMA PV clauses currently in operation
- IEEMA PV Calculator – a Web based tool for getting IEEMA certified PV Report

From the PV trend graphs, you will observe that variation happens even for a period of less than a quarter (3 months), which cannot be ignored. Supplier values even a minor positive variation of 2%, since the industry is generally operating on thin margins due to stiff competition and suboptimum capacity utilization. Whereas, for a negative variation, purchaser will benefit by reduction in final cost of the equipment leading to reduced project cost. Hence consistent use of uniform price variation clause provides relief to both buyer and supplier mitigating the risks arising out of fluctuations in raw materials prices and other variable costs.

proud partners in implementation



INDIAN ELECTRICAL EQUIPMENT INDUSTRY  
**MISSION PLAN  
2012-2022**

**Mumbai:**  
501, Kakad Chambers,  
132, Dr. Annie Besant Road, Worli,  
Mumbai 400 018, INDIA.  
P: +91 88 2493 0532  
F: +91 22 2493 2705  
E: mumbai@ieema.org

**Bangalore:**  
204, Swiss Complex,  
33, Race Course Road,  
Bangalore 560 001, INDIA.  
P: +91 80 2220 1316/1318  
F: +91 80 2220 1317  
E: bangalore@ieema.org

**Kolkata:**  
503A, Oswal Chambers,  
2, Church Lane,  
Kolkata – 700 001, INDIA.  
P: +91 33 6510 7855  
F: +91 33 2213 1326  
E: kolkata@ieema.org



Rishyamook Building, First Floor,  
85 A, Panchkuian Road,  
New Delhi 110001,  
INDIA.

P: +91 11 2336 3013/14/16  
F: +91 11 2336 3015  
E: delhi@ieema.org  
www.ieema.org

Charu Mathur | Director General

For past two years, the electrical equipment manufacturing industry is passing through difficult and unprecedented times. This has been further aggravated by sudden and unusual rise in the prices of all

basic raw materials such as Steel, Aluminium, Copper, Transformer Oil, Insulating materials etc. within a short period of 3-6 months in the range of 20-40%.

Unfortunately, most of the supplies made by this industry to the Utilities, particularly in the distribution segment having delivery period of less than a year, are under fixed price contracts. Suppliers who are already hit hard by the Covid-19 Pandemic with a capacity utilization falling well below 50%, coupled with severe internal and external competition, had no choice but to accept the terms of contract. With fluctuations of raw material prices in recent past, it has now become very difficult to execute the supplies resulting in huge loss. Many of these manufacturers, being MSMEs, are struggling to avert closure.

**Consistent use of Price Variation Clause in existing as well as future contracts, safeguarding the interests of both buyer and supplier, is the need of the hour.**

We look forward to your support on the same by considering variable prices in KPTCL tenders.

With best regards

Best Regards,

Charu Mathur

proud partners in implementation



INDIAN ELECTRICAL EQUIPMENT INDUSTRY  
**MISSION PLAN**  
2012-2022

**Mumbai:**

501, Kakad Chambers,  
132, Dr. Annie Besant Road, Worli,  
Mumbai 400 018, INDIA.  
P: +91 88 2493 0532  
F: +91 22 2493 2705  
E: mumbai@ieema.org

**Bangalore:**

204, Swiss Complex,  
33, Race Course Road,  
Bangalore 560 001, INDIA.  
P: +91 80 2220 1316/1318  
F: +91 80 2220 1317  
E: bangalore@ieema.org

**Kolkata:**

503A, Oswal Chambers,  
2, Church Lane,  
Kolkata – 700 001, INDIA.  
P: +91 33 6510 7855  
F: +91 33 2213 1326  
E: kolkata@ieema.org