

**Cir. No.: 15/DIV/CAP/05**

**January 21, 2011**

**To All members of Capacitor Division**

**To all State Electricity Boards, Utilities and Other purchasing organizations**

**Sub: New Price variation clauses for 'Power Capacitors' effective from 1<sup>st</sup> July 2009**

Due to change in technology and manufacturing processes, IEEMA Capacitor division has decided to evolve a new Price Variation Formula for Power Capacitors with change in cost composition and changes the sources for all raw materials which are currently in vogue. The Draft PV clause was circulated vide cir. No. 273/DIV/CAP/05 dated December 07, 2010 to all stakeholders for their review and comments.

Major highlights of this new PV clause are as under.

1. Use of Non-PCB condenser oil of Jarylec base oil since most of the manufacturers have migrated from using PXE oil to Jarylec base oil
2. For Aluminium Foil prices, it has been decided to consider LME Average settlement price converted in Indian rupees as a globally recognized source since all domestic suppliers of Al. foil import the same and the prices are linked to LME prices of Aluminium.
3. Price of BOPP Film of 10 micron from an international source will be collected since all major manufacturers import this raw material.
4. As per normal manufacturing practices, all these raw materials are mostly booked around one month prior to the manufacturing. Hence, it has been decided to keep only one month lag period with respect to date of tendering and date of delivery for these prices.

Since no comments were received, we are now making it operational and make it effective from July 2009. The new PV clause is enclosed for your perusal. The relevant prices and indices applicable to this new PV clause from July 2009 to December 2010 are also enclosed.

We recommend incorporating this new PV clause in all future tenders. We recommend following methodology to arrive at price variation for all the pending contracts having old IEEMA PV clause of Power Capacitors (effective from 1<sup>st</sup> January 2001) and having base date or date of tendering prior to July 2009.

1. Calculate 'P' using old IEEMA PV clause of Power Capacitors effective from 1<sup>st</sup> January 2001 from your base date/date of tendering up to June 2009
2. Treat the above calculated 'P' as 'P<sub>0</sub>' and calculate final price variation using new IEEMA PV clause for Power Capacitors from July 2009 up to the date of delivery.

  
Assistant Director

Encl: as above

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### PRICE VARIATION CLAUSE FOR POWER CAPACITORS

The price quoted/confirmed is based on the input cost of raw materials/components and labour cost as on the date of quotation and the same is deemed to be related to prices of raw materials and all India average consumer price index number for industrial workers as specified in the price variation clause given below. In case of any variation in these prices and index numbers, the price payable shall be subject to adjustment, up or down in accordance with the following formula:

$$P = \frac{P_0}{100} \left( 18 + 16 \frac{CO}{CO_0} + 17 \frac{AF}{AF_0} + 26 \frac{BO}{BO_0} + 23 \frac{W}{W_0} \right)$$

Wherein,

- P = Price payable as adjusted in accordance with the above formula.
- P<sub>0</sub> = Price quoted/confirmed.
- CO<sub>0</sub> = Price of Non-PCB Condenser Oil (refer notes)  
This price is as applicable for the month, one month prior to the date of tendering.
- AF<sub>0</sub> = Average LME settlement price of Aluminium (refer notes)  
This price is as applicable on the 1<sup>st</sup> working day of the month, one month prior to the date of tendering.
- BO<sub>0</sub> = Price of BOPP Film (refer notes)  
This price is as applicable for the month, one month prior to the date of tendering.
- W<sub>0</sub> = All India average consumer price index number for industrial workers, as published by the Labour Bureau, Ministry of Labour, Govt. of India (Base: 2001 = 100)  
This index number is as applicable on the first working day of the month, three months prior to the date of tendering.

For example, if date of tendering falls in October 2010, the applicable prices of Non-PCB Condenser Oil (CO<sub>0</sub>), LME average settlement price of Aluminium (AF<sub>0</sub>) and BOPP Film (BO<sub>0</sub>) should be for the month September 2010, and all India average consumer price index number (W<sub>0</sub>) should be for the month of July 2010.

The above prices and indices are as published by IEEMA vide circular reference number IEEMA(PVC)/CAP\_PWR/\_/\_ prevailing as on first working day of the month ..... i.e., one month prior to the date of tendering.

- CO = Price of Non-PCB Condenser Oil (refer notes)  
This price is as applicable for the month, one month prior to the date of delivery.
- AF = Average LME settlement price of Aluminium (refer notes)  
This price is as applicable on the 1<sup>st</sup> working day of the month, one month prior to the date of delivery.

IEEMA/PVC/CAP\_PWR/2009/01/02

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IEEMA/PVC/CAP\_PWR/2009

Effective from: 1<sup>st</sup> July 2009

BO = Price of BOPP Film (refer notes)

This price is as applicable for the month, one month prior to the date of delivery.

W = All India average consumer price index number for industrial workers, as published by the Labour Bureau, Ministry of Labour, Govt. of India (Base: 2001 = 100)

This index number is as applicable on the first working day of the month, three months prior to the date of delivery.

For example, if date of delivery in terms of clause given below falls in December 2010, the applicable prices of Non-PCB Condenser Oil (CO), LME average settlement price of Aluminium (AF) and BOPP Film (BO) should be for the month November 2010, and all India average consumer price index number (W) should be for the month of September 2010.

The date of delivery is the date on which the Power Capacitor is notified as being ready for inspection/dispatch. In the absence of such notification, the date of manufacturer's dispatch note is to be considered as the date of delivery) or the contracted delivery date (including any agreed extension thereto), whichever is earlier.

Notes: (a) All prices of raw materials are exclusive of modvatable excise/CV duty amount and exclusive of any other central, state or local taxes; octroi etc. Power Capacitor manufacturers import major raw materials like Non-PCB Condenser Oil, Aluminium Foil and BOPP Film. The landed cost of these imported raw materials includes applicable custom duty but exclusive of modvatable CVD.

(b) All prices are as on first working day of the month.

(c) The details of prices are as under:

- 1) The Non-PCB Condenser Oil price (in Rs./MT) is Jarylec Base Oil Grade- C101D as received from an imported supplier in foreign currency. The price is converted into Indian Rupees with applicable exchange rates prevailing as on 1<sup>st</sup> working day of the month. This price is the landed cost, inclusive of applicable customs duty only but exclusive of countervailing duty.
- 2) The LME price of Aluminium (in Rs./MT) is the LME average settlement price of Aluminium converted into Indian Rupees with applicable exchange rates prevailing as on 1<sup>st</sup> working day of the month. This price is the landed cost, inclusive of applicable customs duty only but exclusive of countervailing duty.
- 3) The BOPP Film price of 10 micron thickness (in Rs./Kg) is as received from an imported supplier in foreign currency. The price is converted into Indian Rupees with applicable exchange rates prevailing as on 1<sup>st</sup> working day of the month. This price is the landed cost, inclusive of applicable customs duty only but exclusive of countervailing duty.



Authorized Signatory

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