

Cir. No.: 69/DIV/IEL/05

March 16, 2011

To all members of IEEMA Industrial Electronics division, Subscribers of Power Electronics PVC
SEBs/Utilities and other listed purchasing organizations

Sub: PV clause of 'Power Electronics' products

Power Electronics PV circulars (PV clause effective from 1st January 2002) were discontinued after July 2010 due to non availability of Wholesale price indices (WPIs) for 'Electronics ICs' and 'Semi Conductors' representing in the index for Power Electronics i.e. 'IN-PE' due to change in base of WPI series to 2004-05=100.

In light of this, it was decided to evolve a fresh set of new PV formulae for Power Electronics products for the following product groups.

1. Traction Invertors and Convertors
2. Industrial Convertors/Invertors and AC/DC Drives
3. High Current Rectifiers

The PV formula has been split into two parts. The first part is applicable for indigenous content of the product and is based on average costing major raw material products used domestically and labour portion. The second part is applicable for Import content of the product and is based on only Foreign exchange rate and applicable Customs duty.

IEEMA had circulated a Draft PV clause for Power Electronics products vide cir. No. 36/DIV/IEL/05 dated February 14, 2011. Since there are no adverse comments received; we make it operational from 1st July 2010 and also furnish relevant prices/indices from July 2010 to February 2011 along with this circular. March 2011 circular will be available by 20th April 2011.

We recommend using following guidelines to settle price variation claims for the pending contracts where old IEEMA PV formula of Power Electronics effective from 1st January 2002 was applicable in the contract for price variation claims.

1. Calculate price variation 'P' from your date of tendering/base date up to July 2010 using old IEEMA PV clause of Power Electronics effective from 1st January 2002
2. Treat the above calculated 'P' as 'P₀' and calculate final price variation from July 2010 up to the date of delivery as per appropriate new IEEMA PV clause for Power Electronics effective from 1st July 2010.


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Encl: as above

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IEEMA/PVC/PE/2010

Effective from: 1st July 2010

PRICE VARIATION CLAUSE FOR POWER ELECTRONICS PRODUCTS

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:

The price variation clause is split up into two parts, Part-I is for indigenous content of the Power Electronics Product and Part-II is for the import content of the Power Electronics product

Part-I: Part variation clause for indigenous content of the Power Electronics products

(A) Traction Invertors & Converters

$$P_1 = \frac{P_0}{100} \left(16 + 26 \frac{C}{C_0} + 13 \frac{AL}{AL_0} + 18 \frac{FE}{FE_0} + 9 \frac{IM}{IM_0} + 18 \frac{W}{W_0} \right)$$

(B) Industrial Converters/Invertors and AC/DC Drives

$$P_1 = \frac{P_0}{100} \left(14 + 27 \frac{C}{C_0} + 15 \frac{AL}{AL_0} + 20 \frac{FE}{FE_0} + 9 \frac{IM}{IM_0} + 15 \frac{W}{W_0} \right)$$

(C) High Current Rectifier

$$P_1 = \frac{P_0}{100} \left(11 + 27 \frac{C}{C_0} + 26 \frac{AL}{AL_0} + 11 \frac{FE}{FE_0} + 16 \frac{IM}{IM_0} + 9 \frac{W}{W_0} \right)$$

Wherein,

P_1 = Price payable as adjusted in accordance with the above formula.

P_0 = Price quoted/confirmed.

C_0 = Average LME settlement price of copper wire bars (refer notes)
This price is as applicable for the month, **TWO** months prior to the date of tendering.

AL_0 = Price EC grade Aluminium rods (properzi rods) confirming to specification IS-5484-1978
This price is as applicable on the first working day of the month, **ONE** month prior to the date of tendering.

IEEMA/PVC/PE/2010/01/03

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IEEMA/PVC/PE/2010

 Effective from: 1st July 2010

FE₀ = Wholesale price index number for 'Ferrous Metals' (Base: 2004-05=100) (refer notes)
This index number is as applicable for the month, **THREE** months prior to the date of tendering.

IM₀ = Epoxy resin : Grade CT-5900 or equivalent
This price is as applicable on the 1st working day of the month, **ONE** month prior to the date of tendering.

W₀ = 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 for the month, **THREE** months prior to the date of tendering.

For example, if date of tendering falls in October 2010, the applicable prices of average LME Copper Wire Bars (C₀) should be for August 2010 and Price EC grade Aluminium rods (properzi rods) confirming to specification IS-5484-1978 (AL₀) and price of Epoxy Resin (IM₀) should be for the September 2010, whereas Wholesale price index number for 'Ferrous Metals' (FE₀) and all India average consumer price index number (W₀) should be for the month of July 2010.

The above prices and indices are as published by IEEMA vide circular reference number IEEMA(PVC)/PE-2010/_/_ prevailing as on first working day of the month i.e., **ONE** month prior to the date of tendering.

C = Average LME settlement price of copper wire bars (refer notes)
This price is as applicable for the month, **TWO** months prior to the date of delivery.

AL = Price EC grade Aluminium rods (properzi rods) confirming to specification IS-5484-1978
This price is as applicable on the first working day of the month, **ONE** month prior to the date of delivery.

FE = Wholesale price index number for 'Ferrous Metals' (Base: 2004-05=100) (refer notes)
This price is as applicable for the month, **THREE** months prior to the date of delivery.

IM = Epoxy resin : Grade CT-5900 or equivalent
This price is as applicable on the 1st working day of 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 for the month, **THREE** months prior to the date of delivery.

For example, if date of delivery in terms of clause falls in December 2010, the applicable prices of average LME Copper Wire Bars (C) should be for the month of October 2010 and Price EC grade Aluminium rods (properzi rods) confirming to specification IS-5484-1978 (AL) and the price of Epoxy Resin (IM) should be for the November 2010, whereas Wholesale price index number for 'Ferrous Metals' (FE) 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 Electronics product 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.

IEEMA/PVC/PE/2010/02/03

IEEMA/PVC/PE/2010

Effective from: 1st July 2010

Part II: Price variation for import content of Power Electronics products

$$P_2 = \frac{CIF}{100} \left(\frac{ER}{ER_0} (100+D) - (100+D_0) \right)$$

Wherein

P_2 = Variation in price in Indian Rupees on account of variation in exchange rates and rate of import duties, payable in accordance with the above formula.

CIF = Value of Imports including cost Insurance and freight in Indian Rupees.

ER_0 = IEEMA's Banker's selling rate of exchange between foreign currency prevailing on the Bankers first working day **ONE** month prior to the date of tendering (refer notes)

ER = IEEMA's Banker's selling rate of exchange between foreign currency prevailing on the Bankers first working day **THREE** months prior to the date of delivery (refer notes)

D_0 = Effective import duty rate in percentage (Excluding duties set off against MODVAT) applicable to the parts of Power Electronics products under Customs Tariff Code 85.04 as prevailing on first working day of the calendar month, **ONE** month prior to the date of tendering.

D = Effective import duty rate in percentage (Excluding duties set off against MODVAT) applicable to the parts of Power Electronics products under Customs Tariff Code 85.04 as prevailing on first working day of the calendar month, **THREE** months prior to the date of delivery.

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.

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

(c) The details of prices are as under:

- 1) The LME price of Copper wire bars (in Rs./MT) is the LME average settlement price of Copper wire bars for the month converted into Indian Rupees with applicable exchange rates prevailing as on 1st working day of the subsequent month. This price is the landed cost, inclusive of applicable customs duty only but exclusive of countervailing duty.
- 2) The price Aluminium in Rs./MT is the average Ex-works price of EC Grade Aluminium rods quoted by the primary producers confirming to specifications IS: 5484
- 3) The wholesale price index number for 'Ferrous & Metals' is as published by the Office of Economic Advisor, Ministry of Industry, Govt. of India, New Delhi with base 2004-05-100.
- 4) The exchange rates that would be published by IEEMA would be for the following currencies only.
1) US Dollars 2) pound Sterling 3) Japanese Yen 4) Euro 5) Swiss Franc


Authorized Signatory

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