

Indian Electrical & Electronics Manufacturers' Association



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20th February, 1995

To all members of the Association and Executive Council.
All State Electricity Boards and Purchasing Organisations.

Sub :- Price Variation Clause for products Not Specifically Covered by other IEEMA - PVCs.

We had, vide our Cir.No.28/NSC PVC/G/NA dated 14th February, 1994 circulated a 'draft' of price variation clause for miscellaneous products which are not specifically covered by any of the IEEMA price variation clauses. This was circulated amongst all manufacturers and purchasers of various electrical equipments for their comments. The draft was also discussed during the meetings of IEEMA executive council members. Since no comments/suggestions for modifications were received by IEEMA secretariat from manufacturers as well as from the purchasing organisations, it was decided to make this clause effective for the benefit of users.

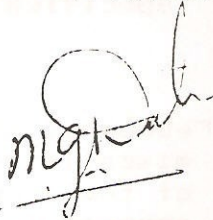
We are pleased to enclose herewith a copy of our price variation clause for products which are Not Specifically Covered (NSC) by any other IEEMA price variation clauses. This was made effective from 1st September, 1994. We suggest that this price variation clause should be used where delivery of goods is expected after a gap of six months or more from the date of the offer.

This price variation clause was evolved mainly on the request of many purchasing organisations since they were unable to incorporate any suitable price variation formula in tender/order and there was always a reluctance from suppliers to adhere to commitments if prices of inputs had gone up. It was also difficult to determine the quantum of additional compensation even if the purchasers were willing to give reasonable price rise. On perusal of this price variation clause, you will notice that the variation in the cost of raw materials like Steel, Copper, Aluminium, Zinc, Lead etc. as well as cost of Fuel, Power, Light and cost of materials like Synthetic Resin, Plastic materials etc. would get covered under this generalised price variation clause.

It will not be possible for IEEMA to describe list of specific products to be covered under this price variation clause. However, purchasers and suppliers should mutually agree upon to use this price variation clause in consultation with each other.

To facilitate suppliers users who might have used this price variation clause while in draft form, to settle their claims we are enclosing applicable indices from the month of September, 1993 onwards since September, 1993 indices are considered as the base = 100.

We will be issuing applicable base indices circulars to this clause every month regularly under reference No.IEEMA(PVC)NSC/MONTH/YEAR.



TECHNICAL OFFICER

- Encl: 1) P.V. Clause for NSC
2) Applicable indices from September 1993 to November 1994.

REF: IEEMA(PVC)/NSC

Effective from 1st September 1994

PRICE VARIATION CLAUSE FOR
PRODUCTS NOT SPECIFICALLY COVERED (NSC) IN
OTHER IEEMA PRICE VARIATION CLAUSES

The price quoted/confirmed is based on the input cost of raw materials and components and Labour cost as on the date of quotation and the same is deemed to be related to the corresponding index number for products Not Specifically Covered (IN-NSC) and all India average consumer price index number for industrial workers as specified below. In case of any variation in these index numbers, the price shall be subject to adjustment up or down in accordance with the following formula :

$$P = \frac{Po}{100} \left(20 + 60 \frac{IN-NSC}{INo-NSC} + 20 \frac{W}{Wo} \right)$$

Where

P = Price payable as adjusted in accordance with the above price variation clause.

Po = Price quoted / confirmed.

INo-NSC = Index number for products Not Specifically Covered (NSC) by IEEMA PV clauses, based on relative indices and weightages (as given in brackets) from Index numbers of wholesale prices in India, published by office of economic advisor Dept. of Industrial Development Ministry of Industry, Govt. of India (or other successor office) considering final index numbers for week ending 1st Saturday of September '93 (Week ending 04-09-1993) as hundred with base (1981-82 = 100)(a) Iron & Steel (10); (b) Non Ferrous Metals (25) ; (c) Metal Products (10); (d) Fuel, Power, Light & Lubricants (7) (e) Tarpetine, Synthetic Resins, Plastic Materials (8). (see notes)

Wo = All India average consumer price index number for Industrial Workers, (Base : 1982 = 100) as published by The Labour Bureau, Ministry of Labour, Govt. of India. This Index would be circulated by IEEMA, alongwith the above Index number IN-NSC .

The Index Number 'INO-NSC', is that published by IEEMA prevailing for the calendar month, THREE MONTHS prior to the date of tendering, and the applicable all India average consumer price index number i.e. 'Wo' would be for the month THREE months prior to the date of Tendering .e.g. If the tender is submitted in the month of May '94, the applicable INO-NSC and the applicable all India average consumer price index number (Wo) both would be for the month of February 1994.

IN-NSC = Index number for products Not Specifically Covered (NSC) by IEEMA PV clauses based on relative wholesale price indices & weightages as given in bracket for various items as mentioned above in INO NSC (a) Iron & Steel (10); (b) Non Ferrous Metals (25); (c) Metal Products (10); (d) Fuel, Power, Light, Lubricants (7); (e) Tarpetine Synthetic Resins, Plastic Materials (8).

This Index number 'IN-NSC' will be as published by IEEMA prevailing for the calendar Month, FOUR months prior to date of delivery. (see notes)

W = All India average consumer price index number for industrial workers (Base 1982=100) as published by Labour Bureau, Ministry of Labour, Govt. of India.

The applicable Index number will be circulated by IEEMA for month FOUR Months, prior to the date of delivery.

If the date of delivery in terms of clause given below falls in December 94, the applicable index number 'IN-NSC' and the corresponding applicable all India average consumer price index number 'W' would be for the month of August 1994.

The 'date of delivery' shall be the date on which the product is notified as being ready for inspection/despatch (in the absence of such notification, the date of manufacturer's despatch note shall be considered as the date of delivery) or the contractual delivery date (including any agreed extension thereto) whichever is the earlier.

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Note : 1) The Govt of India periodically changes the base year for declaring wholesale price index numbers. The office of economic adviser gives conversion factors for new base date for some of the index numbers. These would be given by IEEMA & utilised when such change takes place. For products where office of Economic adviser does not give such conversion factor, IEEMA will work out such conversion factor correct upto 1st decimal point using data available in Economic Adviser's circulars. Such conversion factor, shall be considered as applicable.

2) Generally, the office of Economic Adviser takes a review of all wholesale price index numbers when a new base is adopted. The nomenclature of some of the index numbers is sometimes modified. IEEMA will consider such modifications, if any, in respect of index numbers used in this PVC and use the nearest new nomenclature for continuation of publication of index numbers. Such new indices will be considered as valid.

3) In the current series of the wholesale price index number circulars, the concerned index numbers are circulated under following reference serial numbers:

Current reference in Economic adviser's weekly bulletin for
wholesale prices in India.

For Items	Under Sr.No./Sub Serial No.
a) Iron & Steel	III (J). a1.
b) Non Ferrous Metals	III (J). b.
c) Metal Products	III (J). c
d) Fuel, Power, Light, & Lubricants	II
e) Tarpentine Synthetic Resins & Plastic Materials	III (H) (h)

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Secretary General