

Cir.No.: 10/DIV/INSU/05

16<sup>th</sup> January 2013

To all members of Insulator division, SEBs & Utilities and Listed Purchasing organizations

**Sub: New PV clause for 'Composite Insulators'**

Members of IEEMA Insulator division had decided to evolve a new PV clause for 'Composite Insulators' as there are more & more tenders are coming up for this product.

IEEMA has collected costing data from major manufacturers of Composite Insulators and arrived at the Draft Price Variation Clause for the same in consultation with members of IEEMA Insulator division. The same was circulated to all stakeholders vide Cir.No.: 227/DIV/INSU/05 dated 14<sup>th</sup> November 2012.

Salient features of this proposed Draft PV clause are that sources of most of the raw materials are linked to respective Wholesale Price Index Numbers published by Economic Advisor, Ministry of Commerce & Industry and variation in 'Exchange Rate' is also represented by bank exchange rate of 4 currencies (appropriate currency can be selected in mutual agreement between Buyer & Supplier)

Since no adverse comments are received, we are making this proposed PV clause operational effective on 1<sup>st</sup> January 2013\*. We recommend incorporating this new PV clause it in the forthcoming tenders/contracts.

\* Please note, the accompanying circular will be issued only after 14<sup>th</sup> February 2013 on receipt of WPIs of November 2012 from Govt. of India

  
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### PRICE VARIATION CLAUSE FOR COMPOSITE INSULATORS

The price quoted/confirmed is based on the cost of raw material and labour cost as on the date of quotation and the same is deemed to be related to the prices of raw material 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 index numbers, the price payable shall be subject to adjustment up or down in accordance with the following formula:

$$P = \frac{P_0}{100} \left[ 14 + 4 \frac{Zn}{Zn_0} + 8 \frac{Al}{Al_0} + 6 \frac{I}{I_0} + 37 \frac{R}{R_0} + 8 \frac{F}{F_0} + 8 \frac{FP}{FP_0} + 5 \frac{FE}{FE_0} + 10 \frac{W}{W_0} \right]$$

Wherein,

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

P<sub>0</sub> = Price quoted/confirmed.

Zn<sub>0</sub> = Price of electrolytic high grade zinc (refer notes).

This price is as applicable on the first working day of the month, **ONE** month prior to the date of tendering.

Al<sub>0</sub> = Price of EC Grade Aluminium rod (Properzi rods) (refer notes).

This price is as applicable on the first working day of the month, **ONE** month prior to the date of tendering.

I<sub>0</sub> = Wholesale Price Index number for Pig Iron (Base : 2004-05 = 100) (refer notes).

This index number is as applicable for the month, **THREE** months prior to the date of tendering.

R<sub>0</sub> = Wholesale Price Index number for Rubber (Polymers including synthetic rubber)(Base: 2004-05 = 100)

This index number is as applicable for the month, **THREE** months prior to the date of tendering.

F<sub>0</sub> = Wholesale Price Index number for Fibre Glass & Glass sheet (Base: 2004-05 = 100) (refer notes).

This index number is as applicable for the month, **THREE** months prior to the date of tendering.

FP<sub>0</sub> = Wholesale price index number for Fuel & Power (Base: 2004-05=100) (refer notes)

This index number is as applicable for the month, **THREE** months prior to the date of tendering.

FE<sub>0</sub> = IEEMA's Banker's selling rate of exchange between foreign currencies prevailing as on first working day

This exchange rate is as applicable **ONE** month prior to the date of tendering (refer notes)

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

For example, if date of tendering falls in March 2013, the applicable Prices of electrolytic high grade zinc (Zn<sub>0</sub>) and Prices of EC Grade Aluminium rods (Al<sub>0</sub>) to be considered for the month of February 2013 whereas wholesale price index numbers for Pig Iron (I<sub>0</sub>), Rubber(R<sub>0</sub>), Fibre Glass & Glass Sheet (F<sub>0</sub>), Fuel Power (FP<sub>0</sub>) and all India average consumer price index number (W<sub>0</sub>) to be considered for the month of December 2012 and IEEMA's Banker's selling rate of exchange between foreign currency (FE<sub>0</sub>) to be considered for the month February 2013.



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Effective from 1<sup>st</sup> January 2013

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

- Zn** = Price of electrolytic high grade zinc (refer notes).  
This price is as applicable on the first working day of the month, **ONE** month prior to the date of delivery.
- Al** = Price of EC Grade Aluminium rods (Properzi rods) (refer notes).  
This price is as applicable on the first working day of the month, **ONE** month prior to the date of delivery.
- I** = Wholesale Price Index number for Pig Iron (Base : 2004-05 = 100) (refer notes).  
This index number is as applicable for the month, **THREE** months prior to the date of delivery.
- R** = Wholesale Price Index number for Rubber (Polymers including synthetic rubber) (Base: 2004-05 = 100)  
This index number is as applicable for the month, **THREE** months prior to the date of delivery.
- F** = Wholesale Price Index number for Fibre Glass & Glass sheet (Base: 2004-05 = 100) (refer notes).  
This index number is as applicable for the month, **THREE** months prior to the date of delivery.
- FP** = Wholesale price index number for Fuel & Power (Base: 2004-05=100) (refer notes).  
This index number is as applicable for the month, **THREE** months prior to the date of delivery.
- FE** = IEEMA's Banker's selling rate of exchange between foreign currency prevailing on the first working day  
This exchange rate is as applicable **ONE** month prior to the date of delivery (refer notes)
- 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 the date of delivery in terms of clause given below falls in December 2013, the applicable Prices of electrolytic high grade zinc (Zn) and Prices of EC Grade Aluminium rods (Al) to be considered for the month of November 2013 whereas wholesale price index numbers for Pig Iron (I), Rubber(R), Fibre Glass & Glass Sheet (F), Fuel Power (FP) and all India average consumer price index number (W) to be considered for the month of September 2013 and IEEMA's Banker's selling rate of exchange between foreign currency (FE) to be considered for the month of November 2013..

The "date of delivery" is the date on which the Composite Insulator is notified as being ready for inspection/despatch (in the absence of such notification, the date of manufacturer's despatch 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 duty and exclusive of any other central, state or local taxes, octroi etc.
- (b) All prices are as on 1st working day of the month.

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(c) The details of the prices considered are as under:

1. The price of Aluminium in Rs./MT is the average Ex-works price of EC Grade Aluminium rod quoted by the primary producers confirming to specifications IS: 5484:1978
2. The price of Electrolytic high grade zinc (in Rs/MT) is ex-works price quoted by a primary producer.
3. The wholesale price index numbers for 'Pig Iron', 'Rubber', 'Fiber Glass & Glass sheet' and 'Fuel & Power' are 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 in Indian Rs. would be for the following currencies only.  
1) US Dollars      2) pound Sterling      3) Japanese Yen      4) Euro



Authorized Signatory

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