



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/REP/S/158

4.12.2021

Mr. A. Gopal Rao

Chairman & Managing Director
Northern Power Distribution Company of Telangana Ltd.
Corporate Office, Vidhyuth Bhavan
H.No. 2-5-31/2, 1st Floor, Nakkalagutta, Hanamkonda
Warangal – 506 001

Dear Mr. Rao,

SUB: Request for Removal of 30% Price Variation Ceiling in Contracts

IEEMA is the apex association of manufacturers of electrical, industrial electronics and allied equipment in India with a combined turnover of USD 50 billion and exports worth USD 9 billion. The industry constitutes 55 percent of the Capital goods industry. IEEMA members contributes 90% of the installed electrical equipment in the country.

The country is passing through very difficult and testing times, due to spread of Covid Pandemic for more than one and half years and it has impacted many industries, including the electrical industry. It has become a question of survival for the small and medium companies.

Further, the abnormal and unprecedented price rise of all major raw materials, which are critical inputs in the manufacturing of electrical equipment (never witnessed before) has made the position even worse and it has become difficult to execute the contracts with fixed price or having restriction in Price Variation (PV). The prices of these raw materials rose in the range of 12% - 108%, from April 2020 to October 2021. To support the same, we are attaching sheets as annexures, with detailed calculations of the increase in raw material prices for Non-Ferrous Metals and Steel.

As reported by IEEMA members, there is a system of positive price variation ceiling of 30% in Northern Power Distribution Company of Telangana Ltd., whereas no such ceiling is there for negative price variation. A tender document of Northern Power Distribution Company of Telangana Ltd. is also attached for supply of 55 Sq. mm. AAA Conductor is attached, which mentions about the same (please refer to Annexure I at page no. 55 of the tender document).

This extraordinary rise in the prices of all base metals is a Force Majeure type of a situation and is beyond the control of both the supplier and the buyer.

IEEMA requests the Northern Power Distribution Company of Telangana Ltd. to remove the positive Price Variation ceiling of 30% and keep the same open as is in the case of negative price variation in all its tenders and purchase orders, both existing and future. Use of uniform price variation clause will provide relief to both the suppliers and the Northern Power Distribution Company of Telangana Ltd. in mitigating the risks arising out of fluctuations in raw materials prices.

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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



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It is in the long term interest of the principle to ensure the financial health of suppliers, contractors and vendors. Therefore, it is desirable not to give a contract on unrealistic conditions, so that the supply is hampered and there is significant impact on health of vendors resulting in future sickness and mortality.

Looking forward to favourable consideration of our above request.

Warm Regards

Charu Mathur

Copy to: (i) Principal Secretary Energy, Govt. of Telangana
(ii) Chairman, Telangana State Electricity Regulatory Commission
(iii) CGM Purchase, Northern Power Distribution Company of Telangana Ltd.

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