

Cir. No. 96/DIV/T&D Projects/05

31st October 2017

To T&D Projects Division, Utilities, SEBs and listed purchasing organisations

**Sub: Revision in Price Variation Formula for Civil Works and Erection Contracts
(CW-ER) effective from 1st January 2017.**

IEEMA has been operating Price Variation Formula for "Civil Works and Erection Contracts" (CW-ER) associated with electrical contract for transmission and distribution projects effective from 1st April 2005 by publishing relevant Wholesale Price Index Numbers and all India average consumers price Index numbers on a monthly basis.

Recently, Economic Advisor, Ministry of Commerce & Industry, who is publishing Wholesale Price Index Numbers (WPI) has revised the base from 2004-05 to 2011-12. However it is observed, for the relevant WPIs applicable for CW-ER Price variation clause, there is a divergence in trend between the old and new base series of these WPIs.

Based on the representation of the industry to counter this contradictory divergence and further subsequent deliberations, it has been decided to revise PV Clause for "Civil Works and Erection Contracts" with effect from January 2017.

Therefore monthly Price Variation Circulars from February 2017 to June 2017 applicable for old price variation clauses of Civil Works and Erection Contracts effective from 1st April 2005 issued on 15th June 2017 (February), 20th June 2017(March), 18th August 2017 (April & May), and 15th September 2017 (June), respectively are being withdrawn/revoked and are being replaced with a fresh new monthly PV Circulars starting from January 2017 applicable for the revised PV Clause of "Civil Works and Erection Contracts" effective from January 2017.

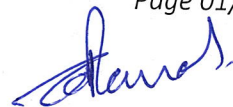
Please find enclosed revised PV Clause of "Civil Works and Erection Contracts" effective from January 2017 incorporating the WPIs as per new base series (2011-12=100) and relevant monthly PV Circulars applicable to it from January 2017 to July 2017.

For the pending contracts where date of delivery falls on or after 1st March 2017 to arrive at final Price Variation, we recommend using the following two stage methodology which is a standard Institutionalised method adopted by IEEMA for change over in all Price Variation Clauses.

Step 1: Calculate "P" from applicable prices / Indices as per your base date/date of tendering up to January 2017 i.e. considering relevant prices / Indices published in PV Circular of January 2017 at numerator place using old PV Clause of "Civil Works and Erection Contracts" effective from 1st April 2005.

Step 2: Treat the above calculated "P" as P_0 and calculate final Price Variation considering all prices/Indices published in January 2017 as base prices / Indices (at denominator places) up to applicable price Indices as per your date of delivery; using revised Price Variation Clause of "Civil Works and Erection Contracts" effective from 1st January 2017.

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We give below a sample calculation in a tabulated form using above recommended Two stage method for clear understanding.

Price variation formula for Concreting							
		Date of Tendering	Apr-16	Date of Delivery	Jun-17		
Step I				Step II			
IEEMA CW-ER PVC effective from 1st April 2005				IEEMA CW-ER PVC effective from 1st January 2017			
Weightages	Raw Material	Applicable month as per Date of Tendering	Applicable month as per Date of Delivery	Weightages	Raw Material	Applicable month as per Date of Tendering	Applicable month as per Date of Delivery
20	Fix		(FIXED)	20	Fix	(FIXED)	
20	HSD	Mar-16	Jan-17	20	HSD	Jan-17	May-17
30	C	Mar-16	Jan-17	30	C	Jan-17	May-17
20	SC	Mar-16	Jan-17	20	SC	Jan-17	May-17
10	W	Mar-16	Jan-17	10	W	Jan-17	May-17
		Prices/indices				Prices/indices	
20	Fix			20	Fix		
20	HSD	183.3	228.9	20	HSD	83.4	81.3
30	C	175.7	174.2	30	C	109.3	114.7
20	SC	198.5	200.8	20	SC	94.2	94.1
10	W	268	274	10	W	274	278
Price quoted	P0= 100	Step I P =	105.17	P0= 105.17 (value at the end of step I)	Step II final value of P =	101.10	
FINAL % VARIATION = 1.10%							



 Senior Director

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IEEMA(PVC)/CW-ER(R-1)/2017

Effective from: 1st January 2017

Price variation clause for 'Civil Works and Erection' associated with the Electrical Contract for Transmission and Distribution Projects

The prices 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 wholesale price index numbers for related commodities and all India average consumer price index number for industrial workers as specified in the price variation clauses 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 formulae:

1. Price variation formula for 'Concreting'

$$P = \frac{P_o}{100} \left(20 + 20 \frac{HSD}{HSD_o} + 30 \frac{C}{C_o} + 20 \frac{SC}{SC_o} + 10 \frac{W}{W_o} \right)$$

2. Price variation formula for 'Reinforced and other steel works'

$$P = \frac{P_o}{100} \left(20 + 65 \frac{IS}{IS_o} + 10 \frac{HSD}{HSD_o} + 5 \frac{W}{W_o} \right)$$

3. Price variation formula for 'Erection (Excluding Reinforced and other steel works and concreting)'

$$P = \frac{P_o}{100} \left(20 + 22 \frac{HSD}{HSD_o} + 58 \frac{W}{W_o} \right)$$

Wherein,

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

P₀ = Price quoted/confirmed

HSD₀ = Wholesale price index number for 'HSD' (Base: 2011-12 = 100) (refer notes)

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

C₀ = Wholesale price index number for 'Manufacture of cement, lime and plaster' (Base: 2011-12=100) (refer notes)

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

SC₀ = Wholesale price index number for 'Manufacture of clay building materials' (Base: 2011-12=100) (refer notes)

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

IS₀ = Wholesale price index number for 'Manufacture of Basic Metals' (Base: 2011-12=100) (refer notes)

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

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IEEMA(PVC)/CW-ER(R-1)/2017

Effective from: 1st January 2017

For example, if date of tendering falls in May 2017, the applicable Wholesale price indices for HSD₀, C₀, SC₀, IS₀ and W₀ should be for the month of April 2017.

The above prices and indices are as published by IEEMA vide circular reference IEEMA (PVC)/ CW-ER (R-1) /_/ prevailing as on first working day of the month i.e. one month prior to the date of tendering.

HSD = Wholesale price index number for 'HSD' (Base: 2011-12 = 100) (refer notes)
 This index number is as applicable for the month, **ONE** month prior to the date of delivery.

C = Wholesale price index number for 'Manufacture of cement, lime and plaster'
 (Base: 2011-12=100) (refer notes)
 This index number is as applicable for the month, **ONE** month prior to the date of delivery.

SC = Wholesale price index number for 'Manufacture of clay building materials'
 (Base: 2011-12=100) (refer notes)
 This index number is as applicable for the month, **ONE** month prior to the date of delivery.

IS = Wholesale price index number for 'Manufacture of Basic Metals' (Base: 2011-12=100)
 (refer notes)
 This index number 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 for the month **ONE** month prior to the date of delivery.

For example, if date of joint inspection and completion certificate falls in December 2017, the applicable Wholesale price indices HSD, C, SC, IS and all India average consumer price index number for industrial workers (W) should be for the month of November 2017.

Date of completion of work is the date notified by the contractor for carrying out joint inspection of the work completed or contracted completion date; whichever is earlier.

Notes:

The wholesale price index numbers for 'HSD', 'Manufacture of cement, lime and plaster', 'Manufacture of clay building materials' and 'Manufacture of Basic Metals' are as published by the Office of Economic Advisor, Ministry of commerce & Industry, Govt. of India, New Delhi with base 2011-12 = 100.



 Authorised Signatory