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Cir. No.95/DIV/Insu/05

Date: 27 October 2017

To all members of IEEMA Insulator division
SEBs, Utilities and other listed purchasing organizations

Sub: Revision in IEEMA PV clause for Insulators

IEEMA had publishing index number for Insulator based on wholesale price indices for Fuel & Power, Basic Metals, Alloys & Metal Products, Light & Lubricants and Wood & wood products with base January 2003 published by Economic Advisor (MoCI).

From May 2017 Wholesale Price Index Numbers (WPI) published by them has been revised to new base 2011-12=100. Issuance of index numbers as per new base has been started with effect from April 2017 (final indices published for February 2017)

IEEMA Insulator division has therefore decided to revise the PV formula for Insulator incorporating the above change in Whole sale index as the WPIs of old base are not be comparable with the WPIs as per new base nor there is any linking factor.

IEEMA had circulated a Draft PV clause for Porcelain Insulator vide cir. No. 85/DIV/Insu/05 dated 20 September 2017. Since there are no adverse comments received; we are making it operational from 1st March 2017.

We request and recommend all the users & stakeholders including Utilities, PSUs etc. to incorporate this new PV formula in all the new tenders/contracts.

For pending contracts, for the date of delivery on or after 1st May 2017, to arrive at the final price variation, we recommend using the following two stage method, which is a standard institutionalized methodology adopted by IEEMA for change over in all IEEMA PV clauses.

1. Calculate price variation 'P' from applicable prices/indices as per your base date / date of tendering up to March 2017 i.e. considering all prices/indices published in PV circular of March 2017 at numerator place; using IEEMA PV clause effective from 1st April 2003.
2. Treat the above calculated 'P' as 'P₀' and calculate final price variation considering all prices / indices published in March 2017 as base prices/indices (at the denominator place) up to the applicable prices/indices as per your date of delivery; using revised PV clause of Insulator effective from 1st March 2017.

A two-step sample calculation is given as annexure.

Senior Director

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Annexure to cir no 95/DIV/Insu/05 dated 27 October 2017

Porcelain Insulator			
Date of Tendering	Apr-16	Date of Delivery	Sep-17
Step I		Step II	
Insulator IEEMA PV clause effective from 1st April 2003		Insulator IEEMA PV clause effective from 1st March 2017	
Weightages	Applicable month as per Date of Tendering	Weightages	Applicable month as per Date of Tendering
15 Fix	(FIXED)	12 Fix	(FIXED)
5 Zn	Mar-16	5 Zn	Mar-17
53 IN-INSLR	Mar-16	22 FP	Jan-17
27 W	Jan-16	27 MP	Jan-17
		10 BC	Mar-17
		7 WP	Jan-17
		17 W	Jan-17
	Prices/indices		Prices/indices
15 Fix		12 Fix	
5 Zn	143,900.00	5 Zn	217700
53 IN-INSLR	218.4	22 FP	93.1
27 W	269	27 MP	104.9
		10 BC	4575
		7 WP	130.1
		17 W	274
Price quoted	Step I P = 108.58	Step II final value of P =	99.31
P ₀ = 100		P ₀ = 108.58	
		(value at the end of step I)	
FINAL % VARIATION = (-) 0.69%			

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IEEMA/PVC/INSLR/2017

Effective from 1st March 2017

PRICE VARIATION CLAUSE FOR PORCELAIN 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:

$$P = \frac{P_0}{100} \left(12 + 5 \frac{Zn}{Zn_0} + 22 \frac{FP}{FP_0} + 27 \frac{MP}{MP_0} + 10 \frac{BC}{BC_0} + 7 \frac{WP}{WP_0} + 17 \frac{W}{W_0} \right)$$

Wherein,

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

P₀ = Price quoted/confirmed.

Zn₀ = 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.

FP₀ = Wholesale price index number for 'Fuel & Power' (Base: 2011-12=100) (refer notes)

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

MP₀ = Wholesale price index number for 'Manufacture of structural metal products'

(Base: 2011-12=100) (refer notes)

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

BC₀ = Price of Ball Clay (refer notes)

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

WP₀ = Wholesale price index number for 'Manufacture Of Wood And Of Products Of Wood And Cork'

(Base: 2011-12=100) (refer notes)

This index number is as applicable for the month, **THREE** months 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 June 2017, the applicable Prices of electrolytic high grade zinc (Zn₀) and Ball Clay (BC₀) to be considered for the month of May 2017 whereas wholesale price index numbers for Fuel & Power (FP₀), Manufacture of structural metal products (MP₀), Manufacture Of Wood And Of Products Of Wood And Cork (WP₀) and all India average consumer price index number (W₀) to be considered for the month of March 2017.

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

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Effective from 1st March 2017

- Zn = Price of electrolytic high grade zinc (refer notes).
This price is as applicable on the first working day of the month, **TWO** month prior to the date of delivery.
- FP = Wholesale price index number for Fuel & Power (Base: 2011-12=100) (refer notes)
This index number is as applicable for the month, **FOUR** months prior to the date of delivery.
- MP = Wholesale price index number for 'Manufacture of structural metal products' (Base: 2011-12=100) (refer notes)
This index number is as applicable for the month, **FOUR** months prior to the date of delivery.
- BC = Price of Ball Clay (refer notes).
This price is as applicable on the first working day of the month, **TWO** month prior to the date of delivery.
- WP = Wholesale price index number for 'Manufacture Of Wood And Of Products Of Wood And Cork'
(Base: 2011-12=100) (refer notes)
This index number is as applicable for the month, **FOUR** months 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 **FOUR** months prior to the date of delivery.

For example, if the date of delivery in terms of clause given below falls in December 2017, the applicable Prices of electrolytic high grade zinc (Zn) and Ball Clay (BC) to be considered for the month of October 2017 whereas wholesale price index numbers for Fuel & Power (FP), Manufacture of structural metal products (MP), Manufacture Of Wood And Of Products Of Wood And Cork (WP) and all India average consumer price index number (W) to be considered for the month of August 2017.

The "date of delivery" is the date on which the 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:

- All prices of raw materials are exclusive of modvatable excise duty and exclusive of any other central, state or local taxes, octroi etc.
- All prices are as on 1st working day of the month.
- The details of the prices considered are as under:
 - The price of ball clay (in Rs/Kg) is the average price of 'N-1' type or equivalent ball clay as quoted by the suppliers.
 - The price of Electrolytic high grade zinc (in Rs/MT) is ex-works price quoted by a primary producer.
 - The wholesale price index numbers for 'Fuel & Power, 'Manufacture of structural metal products', 'Manufacture Of Wood And Of Products Of Wood And Cork' are as published by the Office of Economic Advisor, Ministry of commerce & Industry, Govt. of India, New Delhi with base 2011-12 = 100.


Authorized Signatory
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