

**PRICE ADJUSTMENT-PVC payment terms and conditions**

The price adjustment provisions shall be applicable separately for **EACH ORDER** price components relating to Supply of Equipment/Mandatory spare, Civil and E&C Works, as per price break-up furnished by the Contractor in price schedule.

Price adjustment amounts towards aforesaid components of Contract Price shall be paid in the respective currencies of Contract(INR).

Vendor shall submit L2 schedule along with BID and detailed L3 schedule after award of work. PVC payment shall be linked to approval of L3 schedule.

PVC shall be applicable only, during the extended period of contract (if any) after contractual completion period and for the portion of work delayed / backlog for the reasons not attributable to the Contractor.

The total amount of PVC payable shall not exceed 10 % of the BASIC contract value for respective order.

Negative price variation (without any limit) shall be passed on to BHEL.

**A) PRICE ADJUSTMENT FORMULA FOR SUPPLY AND MANDATORY SPARES –**

The amount of price adjustment towards variable portion payable/recoverable on each shipment/despatch shall be computed as under:

$$EC = EC1 - EC0$$

EC1 will be computed as follows:

$$EC1 = EC0 \{F + a \times A_1 / A_0 + Lb \times L_1 / L_0\}$$

Above formula, is further expressed as follow considering all component.

$$EC1 = EC0 \{F + a \times (0.7 \times AP_1 / AP_0 + 0.2 \times AS_1 / AS_0 + 0.1 \times AE_1 / AE_0 + Lb \times L_1 / L_0)\}$$

Where

EC = Adjustment to Ex-Works supply and mandatory spare Price Component expressed in the currency of The Contract (INR) payable to the contractor for each shipment/despatch.

EC1 = Adjusted Amount of Ex-Works supply and mandatory spare Price Component expressed in the currency of the Contract (INR) payable to the Contractor for each shipment/despatch.

EC0 = Ex-Works supply and mandatory spares Price expressed in the currency of the Contract (INR), shipment/despatch wise.

- "F" shall be fixed portion of the Ex-Works Component of the Contract and shall be considered as 0.15.

- "a" shall be co-efficient of major materials/items involved in the Ex-Works Component of the Contract Price and shall be considered as 0.5.

- 'AP, AS, AE', shall be published price indices of corresponding major materials/items. For this purpose, indices available for Plastics, Steel and Electrical equipment, based RBI bulletin Whole Price Index ([https://rbi.org.in/Scripts/BS\\_ViewBulletin.aspx?Id=20964](https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=20964)).

and

'L' shall be per Other consumer price index number for industrial workers (All India Monthly Average) as published ([https://rbi.org.in/Scripts/BS\\_ViewBulletin.aspx?Id=21024](https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=21024))

**Price Indices to be considered (As per RBI)**

| <b>Material</b>           | <b>RBI Index</b>            |
|---------------------------|-----------------------------|
| Plastics-AP               | Table No 21, Sl.no 1.3.12.3 |
| Steel -AS                 | Table No 21,Sl.no 1.3.14.3  |
| Electrical equipment - AE | Table No 21, Sl.no 1.3.17   |
| Industrial labour -L      | Table No. 19, Sl. no.1      |

- 'Lb" shall be co-efficient for labour component in the Ex-Works Component of the Contract Price which shall be considered as 0.35.

**For the indices, subscript '0' refers to indices of the month immediate after expiry of contractual delivery period.**

**Subscript '1' refers to indices as on month before actual delivery date/month of Shipment / despatch.**

**B) PRICE VARIATION COMPENSATION FOR ERECTION & COMMISSIONING**

1. Formula for calculation of price variation:

$$ER = ER1 - ER0$$

ER1 will be computed as follows

$$ER1 = ER0 (0.15 + 0.85 L1/L0)$$

Where,

ER = Adjustment to Erection & commissioning component of contract price expressed in the currency of contract (INR) payable to the contractor for each billing.

ER1 = Adjusted amount of Erection & commissioning component of contract price expressed in the currency of contract (INR) at the time of billing to the Contractor.

ER0 = Value of the Erection & commissioning work in INR done.

L: Labour indices shall be Other consumer price index number for industrial workers (All India Monthly Average) as published by Labour Bureau, RBI.

([https://rbi.org.in/Scripts/BS\\_ViewBulletin.aspx?ld=21024](https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?ld=21024))

**For the indices, subscript '0' refers to indices of the month immediate after expiry of contractual completion period.**

**Subscript '1' refers to indices as on month of execution of E&C work.**

**Price Indices to be considered (As per RBI)**

| <b>Material</b>   | <b>RBI Index</b>       |
|-------------------|------------------------|
| Industrial labour | Table No. 19, Sl. no.1 |

**C) PRICE VARIATION COMPENSATION FOR CIVIL WORK PORTION**

1. Formula for calculation of Price variation for civil works :

$$CV = CV1 - CV0$$

CV1 will be computed as follows:

$$CV1 = CV0 (F + m \times M1/M0 + d \times D1/D0 + s \times S1/S0 + Lb \times L1/L0)$$

Where,

CV = Adjustment to civil works Price component in the currency of (INR) of the contract payable to the contractor for the work done.

CV1 = Adjusted amount of Civil Works Price Component of contract price (INR)

CV0 = Value of Civil Works executed in billing period (INR)

F = Fixed portion of the contract price which will not be subjected to any adjustment under this formula or otherwise which will be **0.20**.

m = Coefficient of material (excluding cement & reinforcement steel) content in the cost of civil portion of the work which will be **0.30**.

d = Coefficient of High Speed Diesel Oil content in the cost of civil portion of the work which will be **0.05**.

s = Coefficient of structural steel content in the cost of civil portion of work which will be **0.05**

Lb = Coefficient of labour (for all categories) content in the cost of civil portion of the work which will be **0.40**

The component in civil work formula shall be taken from Indices published by GOI and RBI from monthly basis. Details mentioned below.

- "M" and "D" shall be published price indices of corresponding major materials/items. For this purpose, indices available for Material index under head of "all commodities" and HSD based on office of economic adviser, GOI, Whole Price Index (All India Monthly Average) as published on ([https://eaindustry.nic.in/display\\_data\\_201112.asp](https://eaindustry.nic.in/display_data_201112.asp)) (path to be followed - [Whole price Index \(WPI\) --- WPI press release.](#))
- "S" shall be published price indices of corresponding major materials/items. For this purpose, indices available for Steel, other non-metallic mineral product, based on RBI bulletin Whole Price Index ([https://rbi.org.in/Scripts/BS\\_ViewBulletin.aspx?Id=20964](https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=20964)).

and

- 'L' shall be per Other consumer price index number for industrial workers (All India Monthly Average) as published ([https://rbi.org.in/Scripts/BS\\_ViewBulletin.aspx?Id=21024](https://rbi.org.in/Scripts/BS_ViewBulletin.aspx?Id=21024))

**Price Indices to be considered (As per RBI / Office of Economic adviser, GOI)**

| <b>Material</b>                    | <b>Office of Economic adviser Index</b> |
|------------------------------------|---|
| Material Index "All commodities" M | Annexure -III, Sl.no 1                  |
| HSD -D                             | Annexure -III, Fuel & power Sl. no.3    |
| <b>Material</b>                    | <b>RBI Index</b>                        |
| Mild Steel Long product - S        | Table No 21, Sl.no 1.3.14.4             |
| Industrial labour - L              | Table No. 19, Sl. no.1                  |

**For the indices, subscript '0' refers to indices of the month immediate after expiry of contractual completion period.**

**Subscript '1' refers to indices as on month of execution of civil work.**