

## **PRICE ADJUSTMENT FOR SUPPLY AND MANDATORY SPARES**

- (i) The Contract price shall be subject to price adjustment during performance of the Contract to reflect changes in the cost of labour and material components in accordance with the provisions described below:
- (ii) The price adjustment provisions shall be applicable separately for price components relating to Supply of Equipment as per price break-up furnished by the Contractor.
- (iii) Only following components of the Contract Price will be subject to Price adjustment:
  - (a) Ex-Works supply price of Plant and Equipment including commissioning spares, Mandatory spares.
- (iv) Price adjustment amounts towards aforesaid components of Contract Price shall be paid in the respective currencies of Contract (INR).
- (v) The indices for price adjustment shall be as elaborated hereunder.
- (vi) The price adjustment formula for the components of the Contract Price, as mentioned at Sl.No. (iii) above, shall be as stipulated hereinafter.
- (vii) **Ex-Works Price Component of Plant and Equipments including commissioning spares, Mandatory Spares and**

It is understood that the price component of the equipments for any shipment/despatch comprises of a fixed portion (designated as 'F' and the value of which is specified hereunder) and a variable portion linked with the indices for various materials and labour (description and co-efficient as enumerated below).

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:

$$EC1 = EC0 \{F + a \times A1/ A0 + Lb \times L1/ L0\}$$

Where

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

EC0 = Ex-Works supply Price for the plant and equipments 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 0.6.

- 'A' shall be published price indices of corresponding major materials/items. For this purpose, indices available for Steel, Copper and Aluminium based on JPC and LME (as per following websites) have been considered:

JPC

<https://trichyintras.bhel.in/mm/JPC/JpcArchives091019.html>

LME

<https://www.lme.com/en/Metals/Non-ferrous/LME-Aluminium#Price+graphs>

Further, for constitution of system wrt steel and copper, please refer S. no. 2 mentioned in the e-mail body. Same is reproduced below:

S. no	Material	% in Compressed Air System
1	Steel	80
2	Copper	20

- 'Lb' shall be co-efficient for labour component in the Ex-Works Component of the Contract Price which shall be considered as 0.25.

'L' shall be consumer price index number for industrial workers (All India average) as published by Labour Bureau, Shimla/RBI Base year 2016=100.

For the indices, subscript '0' refers to indices as on date of completion of delivery as per LOA.

Subscript '1' refers to indices as on date of shipment/despatch.

Note:

- 1) PVC shall be applicable only beyond original overall completion schedule as per LOA. PVC shall be applicable only if the delay is not attributable to contractor/ vendor. However even if the delay is attributable to vendor then also the negative price variation shall be passed on to BHEL.
- 2) The price variation shall be limited to (+) 10% of Ex-Works Supply Price including commissioning spares, Mandatory spares.

### **PRICE ADJUSTMENT FOR SERVICE PART (E&C)**

- (i) The Contract price shall be subject to price adjustment during performance of the Contract to reflect changes in the cost of labour in accordance with the provisions described below:
- (ii) The price adjustment provisions shall be applicable for price components relating to service part (E&C) as per price break-up furnished by the Contractor.
- (iii) Only following components of the Contract Price will be subject to Price adjustment:
  - (a) Service part (E&C) component of Contract Price.
- (vi) The indices for price adjustment shall be as elaborated hereunder.
- (v) The price adjustment formula for the components of the Contract Price, as mentioned at Sl.No. (iii) above shall be as stipulated hereinafter.

#### **a) Indian Rupee Portion of the Installation Services**

ER = ER1 – ER0

ER1 will be computed as follows:

**ER1 = ER0 (0.15 + L<sub>b</sub> x (L<sub>1</sub>/ L<sub>0</sub>))**

Where:

ER = Adjustment to Erection & Commissioning price component of contract price expressed in Indian Rupees payable to the contractor for each billing.

ER1 = Adjusted amount of Erection & Commissioning price component of contract price expressed in Indian Rupees payable to the Contractor.

ER0 = Value of the Erection & Commissioning work done in the billing period, which shall be calculated as under:

For the purpose of computing ER0, each Erection & commissioning bill (service part) during the E & C period up to the 'Completion of the Facilities' shall be calculated as described in this document.

L<sub>b</sub> - Coefficient of labour (for all categories) content in the Indian Rupee portion of the erection & commissioning =0.85

L=Indian field labour index namely, all India consumer price index for industrial workers (All India Monthly Average) as published labour bureau, Shimla, Government of India.

For the indices, subscript '0' refers to indices as on date of completion of delivery as per LOA.

Subscript '1' refers to indices as applicable for the month of execution of the E&C work

Note:

1) PVC shall be applicable only beyond original overall completion schedule as per LOA. PVC shall be applicable only if the delay is not attributable to contractor/ vendor. However even if the delay is attributable to vendor then also the negative price variation shall be passed on to BHEL.

2) The price variation shall be limited to +10% of total E&C price (excluding taxes).