

Sub: Construction Management System: Circular - 65

Ref: Guidelines for Implementation of Price Adjustment clause with new indexes in ongoing/ future packages under RUIDP.

Presently, Price adjustment for various materials like Iron, Steel, Cement, Material, Labour, Diesel & Bitumen is calculated by indexes of these material as published by RBI / Economic Advisor (EA) to GOI in the contracts on the base index of 1993-94 (Clause 44 of Section-8 of bid document). The indexes of the base have been changed to 2004-05 in RBI/ EA. After August 2010, RBI/ EA index on base year 1993-94 are not published. The new Wholesale Price Index (WPI) series on the basis of 2004-05 was officially launched on 14 September, 2010 by Hon'ble Minister for Commerce & Industry, GOI. However the back series of WPI since 2004-05 is available on the website www.eaindustry.nic.in.

It was observed that for two materials- Cement and Iron & Steel, now the nomenclature has been changed in base 2004-05 and for other materials the nomenclature has been same. Looking to it, it was to be decided that which index are to be used for "Cement" and "Iron & Steel" in the ongoing contracts, in which work has already been awarded for computation of price adjustment and to be incorporated in future contracts. Therefore, the matter was referred to Finance Department for the decision and the matter has been decided by Finance Department. Accordingly, following guidelines are to be followed:-

(i) Tenders with Provision based on 1993-94 index

It is directed that in ongoing contracts, for all materials, old index of base year 1993-94 may be adopted up to June 2010; and thereafter the contract variation be agreed in the existing contracts for all components of various material from July 2010 quarter by new index of base year 2004-05 considering that the "Cement & Lime" may be taken for "Cement" and "Ferrous Metal" may be taken for "Iron & Steel" and quarter wise calculation be done by taking the difference of "Cement & Lime"/ "Ferrous Metal" (as applicable) from initial quarter to variation calculating quarter. The nomenclature to be adopted is as follows:-


S.No.	Nomenclature as per Base Year 1993-94	Nomenclature as per Base year 2004-05
1	Material	Material
2	Iron & Steel	Ferrous Metal
3	Cement	Cement & Lime
4	High Speed Diesel Oil	High Speed Diesel Oil
5	Bitumen	Bitumen

(ii) Tenders with Provision based on 2004-05 index and Future Contracts

A Office order no. 718-768 dated 25.7.2011 was issued by RUIDP stating that in future bid documents, the nomenclature in price adjustment be taken as "Ferrous Metals" for "Iron & Steel" and "Cement & Lime" for "Cement" in accordance to RBI Index and EA index based on 2004-05 index. Accordingly, it is reiterated that the nomenclature to be adopted is as follows

S.No.	Nomenclature as per Base Year 1993-94	Nomenclature as per Base year 2004-05
1	Material	Material
2	Iron & Steel	Ferrous Metal
3	Cement	Cement & Lime
4	High Speed Diesel Oil	High Speed Diesel Oil
5	Bitumen	Bitumen

This circular is equally applicable to all members of PMU, IPIU, IPMC & DSC.


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