

F3 (106) (32)/RUSDIP/PMU/CMS/2007/26277-312

Dated: 02.02.2010

Sub: Construction Management System Circular – 43.

Ref: Guidelines for Price Adjustment Clause & utilization of Mobilization Advance for the works under RUSDIP- (RUIDP - Phase II).

It has been observed during review meetings held in the months of January-2010 that there is a need of strict compliance of utilization of mobilization advance & its replenishment in the dedicated account; and Price Adjustment Clause in accordance to the Contract conditions to ensure the cash flow on to works. The following guidelines should be adhere:

1. Mobilization Advance -

- a. Ensure that the provision of Contract Agreement clause 48 section-VIII regarding Advance Payment for mobilization i.e. "Advance Payment shall be used by the Contractor exclusively for mobilization expenditures such as to pay for Equipment, Plant, Materials, and mobilization expenses required specifically for execution of the Contract are fully complied.
- b. The contractor has to open a dedicated bank account in the Bank located in Jaipur or concerned city for Mobilization Advance. Any transaction from this account should be made with the consent (consent means written information to project Manager ie. XEn IPIU, after verbal consent will also be treated as consent, if not objected within three days) of the Project Manager directly to the vendor.
- c. The responsibility of this account lies with the Contractor however; the EE, IPIU will act as the custodian of the account.
- d. The contractor is not permitted to transfer amount for any other work from this account.
- e. The expenditure through this account will be replenished from the running account bills from time to time up to the limit of outstanding balance of Advance in accordance to the recovery schedule.
- f. EE, IPIU to check the transactions and closely monitor the account from time to time and to ask contractor to submit the transaction details with every running account bill for payment.
- g. EE, IPIU should clearly mention the dedicated account number on each cheque issued by him.

2. Price Adjustment – It has been observed that the price adjustment clause is not being implemented timely by the IPIUs as per contract conditions. It needs to be understood that looking to the previous trend there may be recoveries from the running bills and deduction at later stage may adversely affect the cash flow of the Contractor. Following guideline are hereby issued for price adjustment clause:

- a. Operate price adjustment clause quarterly whether the Contractor has applied/ submitted case for price Adjustment or not. It should be applied as soon as it is due for consideration. It was included to safeguard the execution of Contracts from the volatility in the market.

- b. In previous quarters there have been instances when indices were decreased. In such cases payments made to contractor may required to be deducted for price adjustment in accordance to clause 44 PCC of Contract Agreement.
- c. EE, IPIU should be vigilant to operate this clause regularly to avoid accumulation of any such amount due to the contractor and may create big hurdles in recovering such huge amounts in nearing contract closure period. In such circumstances concerned EE, IPIU shall be held responsible personally.
- d. It may be recalled that guidelines & directions for operation of Price Adjustment clause under RUSDIP (RUIDP - Phase II) works were issued vide Construction Management System Circular Number – 40.

Copy of this circular should be abided by all members of PMU, IPIU, IPMC & DSC.


(Dr. R. Venkateswaran)
Project Director

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Copy to following for information and necessary action:

1. Addl. PD / FA/ Dy. PD (T)/ Dy. PD (Adm.)/SE (Co-ord)/ SE (WW)/ (WS) / (R&B)/ PO (all)/ Sr. AO / All APOs / AAO/ PA to PD PMU, RUIDP, Jaipur.
2. Chief Engineer, PIU, Bisalpur, / SE PIU RUIDP, Jaipur.
3. Executive Engineer, IPIU, RUSDIP (Concerned), Alwar, Baran-Chhabra, Barmer, Bharatpur, Bundi, Chittorgarh, Churu, Dhaulpur, Jaisalmer, Jhalawar-Jhalarapatan, Karauli, Nagaur, Rajsamand, Sawai Madhopur and Sikar.
4. Team Leader IPMC, CAPP, DSC-I, Bharatpur, DSC-II, Nagaur, DSC-III, Jhalawar, RUSDIP.
5. DSC-I, Alwar/ Dholpur/ Karauli/ Sawai Madhopur, DSC-II, Churu/ Jaisalmer/ Barmer/ Sikar and DSC-III, Chittorgarh/ / Rajsamand/ Bundi/ Baran, RUSDIP.
6. ACP, RUIDP, Jaipur to send by e-mail and put up the CMS Circular on the website.


Dy. Project Director (T)