

## Government of Rajasthan Office of Project Director

2579/09

## Rajasthan Urban Infrastructure Development Project

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F3 (106) (32)/RUSDIP/PMU/CMS/2007/14660-703

Dated: 25.08.2009

Sub: Construction Management System - Circular No. - 40

Ref: Guidelines for operation of Price Adjustment clause under RUSDIP- (RUIDP - Phase II) works.

In the Bid documents for various packages under RUSDIP, a clause 44 for price Adjustment (Particular Conditions of Contract) to substantiate price variation during execution of the works exists for items namely Labour, Material, Iron & Steel, Cement, Bitumen, Diesel & Petrol. The following guidelines should be followed in this regard:

- 1. This clause will be applicable as per Contract Agreement and IPIU & DSC personnel should carefully read it in totality before its implementation.
- 2. Price adjustment clause has been included to safeguard the execution of Contracts from the volatility in the market. It should be applied as soon as it is due for consideration. 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. 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.
- 3. EE, IPIU should keep in mind agreed work plan vis-à-vis work done by contractor during that quarter and %age break-up of components as indicated in the Contract Agreement. If it is found in initial stage of Contract that the work plan and %age break-up of components does not seem to be realistic; then EE, IPIU may process proactively for rectification of the same in the very beginning.
- 4. The amount payable to the Contractor and valued at base prices in accordance with the payment Schedule shall be adjusted for rise or fall in the cost of Labor, steel, fuel and other Materials, by the addition or deduction of the amounts determined by the formulae prescribed at clause 44.2 in Particular Conditions of Contract Agreement.
- 5. The price adjustment clause in case of bids decided without negotiation, the date of opening of tender (Technical) will be date for considering for calculation of price adjustment. In case of negotiation the date of negotiation (if the original offer changed) will be considered for the purpose of price adjustment clause and in such cases this date should be specifically mentioned in the LOA/NTP.
- 6. Price adjustment for labour shall be considered on the basis of average quarterly consumer price index for industrial workers (whole-sale prices) as published in Reserve Bank of India Journal/labour Bureau Simla, for the area. Once base of RBI Journal / Labour Bureau is taken that should continue in further bills.
- 7. Price adjustment for steel and cement shall be considered on the basis of average quarterly wholesale price index for the quarter published in Reserve Bank of India Journal / Economic Adviser to Government of India, Minister of Industries, for the area.
- 8. Price adjustment for bitumen shall be considered according to whole-sale price for bitumen, as published by the Economic Adviser to Govt. of India, Ministry of Industry. The base rate will be as on the day of bid opening or the negotiation date, as applicable; whereas the price adjustment will be applicable on the average quarterly basis.
- 9. Price adjustment for petroleum shall be considered according to average wholesale price Index of High Speed Diesel (HSD) as published by the Economic Adviser to the Government of India, Ministry of industry. The base rate will be as on the day of bid opening or the negotiation date, as applicable; whereas the price adjustment will be applicable on the average quarterly basis.
- 10. Price adjustment clause shall be applicable only for the work that is carried out within the stipulated time, or extension thereof as are not attributable to the contractor.
- 11. In case the contractor does not make prorata progress in the first or another time span and the short fall in progress is covered up by him during subsequent time span within original stipulated period then the price adjustment of such work expected to be done in the previous time span shall be notionally given based upon the price index of the quarter in which such work was required to be done.



- 12. No provisional price adjustment is payable on the basis of indices of the previous quarter in absence of non publication of indices for concerned quarter by the RBI. Price adjustment is always payable quarterly and no provisional price adjustment is payable monthly or fortnightly.
- 13. Adjustment after Completion: If the contractor shall fail to complete the works within the intended time for completion, adjustment of prices thereafter until the date of completion of the works shall be made using either the indices or prices relating to the prescribed time for completion, or the current indices or prices, whichever is more favorable to the employer, provided that if an extension of time with delay attributable not to contractor is granted the above provision shall apply only to adjustments made after the expiry of such extension of time. This may be clarified as follows:
  - a. The price adjustment has to be paid for whole of the executed work to the Contractor, if he completes the work.
  - b. In case, the contract is finalized without any liquidated damages and the extension is allowed completely for the delayed period not attributable to contractor, the price adjustment will be applied up to the date of completion.
  - c. In case, the contract is finalized with liquidated damages and the extension is allowed with delay attributable to contractor, the price adjustment for the period of delay attributable to contractor will be applied until the date of completion of the works using either the indices or prices relating to the prescribed time for completion, or the current indices or prices, whichever is more favorable to the employer.
- 14. After submission of bills for price adjustment by Contractor or to be prepared by the IPIU in case contractor does not submit, AEn Package in-charge, Support engineer DSC & Accountant IPIU will jointly examine & scrutinize the bill for its correctness in accordance to the Contract provision & applicable indices and should jointly submit for further examination to Head of the IPIU. EE & Head of IPIU with ACM/ DY. CM/ CM will check and examine the bill.
- 15. After putting signature by Accountant IPIU, DSC Support Engineer, AEn package in-charge, ACM/ DY. CM/ CM and EE, IPIU, the bill shall be processed for sanction and payments.
- 16. The financial work plan showing the expected output against each BOQ items in every month duly agreed and signed by the contractor, IPIU/DSC needs to be considered for implementation and calculation of price adjustment clause in the following sequence:
  - a. The items of BOQ in execution of each activity as determined in the work plan should be bifurcated in a tabular form and its cost should be worked out.

Table-1 (separate for each work plan activity) 1 Name of Work 2 Contract Package No. 3 Contract Amount Contract Period (From 4 to To) 5 Name of Activity and its serial no. as per work plan & physical parameters 6 Execution period for the activity S. BOQ Item Brief of Quantity Rate as per Amount Planned Execution of No. No. BOQ item required BOQ/sancti (6)=(4)xwork in Month in Rs. (1) (2)(3) for this oned (5)(7)activity variation Feb Jan Mar (4)(5)2 Monthly distribution Quarterly distribution

Signature of Contractor Sign of ACM/DCM DSC AEn Contract incharge EE & Head of IPIU



b. The results of above Table-1 should be summarized in the following table:

			Table-2				
1	Name of Work					one in the second	
2	Contract Package No.						
3	Contract Amount						
4	Contract Period (From to To)						
S. No. of activity	Name of Activity as per work plan &	Period of Total Amount activity Months of for the			Planned Execution of work in Month in Rs.		
	physical parameters	(From to To)	activity	Activity	Jan	Feb	Mar
1							
2		Adam Marcon Carlot					
		Monthly distril	bution	_!			
		Quarterly distribution					

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c. The work component of every RA bill is to be bifurcated according to the quarter as recorded in the Measurement Book (MB) for each BOQ item as follows:

	Table -3 (For each RA Bill)							
S. No.	BOQ Item No.	Brief of BOQ item	Total Bill Amount	I Quarter (specify)		III Quarter (specify)		
4.5								
				<u> </u>				

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d. The results of above Table-3 should be summarized in the following table for getting total value of work done (R) in each quarter:

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S. No.	RA Bill no.	II quarter (specify)	IV quarter (specify)	V quarter (specify)	Total
1	01				
2	02				
3	03				
4	04				
Quarter	wise Total (R)				

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e. After getting quarter wise work done value (R), the price adjustment bill for each component shall be worked out as follows:

Price Adjustment for Labour (VL =  $0.75 \times PL / 100 \times R (IL1 - IL0) / IL0$ 

Quarter	Value of work done quarterly (R)	Value of PL	Value of IL1	1	Amount VL = 0.75 x PL / 100 x R (IL1 - IL0)/ IL0
I					
II					
III					
IV					
				Total	0.00

Price Adjustment for Material (VM =  $0.75 \times PM / 100 \times R (IM1 - IM0) / IM0$ 

Quarter	Value of work done quarterly( R)	Value of IM1	 Amount VM = 0.75 x PM / 100 x R (IM1 - IM0)/ IM0
I			



III		
IV		
	Total	0.00

Price Adjustment for Iron & Steel (Vs = 0.75 x Ps / 100 x R (Ls1 - Ls0) / Ls0

Quarter	Value of work done quarterly( R)	Value of Ps	Value of Ls1	Value of Ls0	Amount (Vs = 0.75 x Ps / 100 x R (Ls1 - Ls0)/ Ls0
1	334 346 80				
11					
111					
IV					
				Total	0.00

Price Adjustment for Cement Vc = 0.75 x Pc / 100 x R (Lc1 - Lc0) / Lc0

Quarter	Value of work done quarterly( R)	Value of Pc	Value of Lc1	Value of Lc0	Amount (Vc = 0.75 x Pc / 100 x R (Lc1 - Lc0) / Lc0
1					100
II					
III					
IV					
				Total	
Price Adj	ustment for Bitumen	$V_b = 0.75 \times P_b$	/ 100 x R (B <sub>1</sub>	- B <sub>0</sub> ) / B <sub>0</sub>	
Quarter	Value of work	Value of P <sub>b</sub>	Value of B <sub>1</sub>	Maluo of D	America (V. 10.75 v. D. 7
Quarter	done quarterly( R)	value of Pb	value of D <sub>1</sub>	Value of Bo	Amount $(V_b = 0.75 \times P_b / 100 \times R (B_1 - B_0) / B_0$
I	S.C. C.				
II					
111					
IV					
		115000		Total	
Price Adj	ustment for Petroleur	$V_f = 0.75 \times 1$	P <sub>f</sub> / 100 x R (F <sub>1</sub>	- F <sub>0</sub> ) / F <sub>0</sub>	
Quarter	Value of work	Value of P <sub>f</sub>	Value of F <sub>1</sub>	Value of Fo	Assessed (V) D 25 v D /
- Sagre	done quarterly( R)	value of rf	value of F1	value of F <sub>0</sub>	Amount $(V_f = 0.75 \times P_f / 100 \times R (F_1 - F_0) / F_0$
1					
H					
111					
IV					
				Total	

Grand Total

Signature of Contractor Sign of ACM/DCM DSC AEn Contract incharge EE & Head of IPIU

17. All the members of PMU, IPIU, IPMC and DSC should abide this circular.

(Dinesh Kumar)
Project Director

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Dated .. 09.2009

Addl. PD/ FA/ Dy. PD (T)/ Dy. PD (Adm.)/ SE (WW)/ WS / PO (all)/ Sr. AO / All APOs / AAO/ PA to PD PMU, RUIDP, Jaipur.

 Executive Engineer/APO's, IPIU, RUSDIP (Concerned), Alwar, Baran-Chhabra, Barmer, Bharatpur, Bundi, Chittorgarh, Churu, Dhaulpur, Jaisalmer, Jhalawar-Jhalarapatan, Karauli, Nagaur, Rajsamand, Sawai Madhopur and Sikar.

3. Team Leader IPMC, DSC-I, Bharatpur, DSC-II, Nagaur, DSC-III, Jhalawar, RUSDIP.

 DSC-I, Alwar/ Dholpur/ Karauli/ Sawai Madhopur, DSC-II, Churu/ Jaisalmer/ Barmer/ Sikar and DSC-III, Chittorgarh/ / Rajsamand/ Bundi/ Baran, RUSDIP.

ACP, RUIDP, Jaipur to send by e-mail and put up the circular on the website.

Dy. Project Director (T)