

महानदी कोलफील्ड्स लिमिटेड

MAHANADI COALFIELDS LIMITED

(A Subsidiary of Coal India Ltd.)

CIVIL ENGINEERING DEPARTMENT

Jagriti Vihar, Burla, Dist. Sambalpur-768020 (Orissa)

Phone/FAX : (0663) 2542779(O)

Ref. No. : MCL/SBP/CIVIL/2008/09 | 1150

Dated : 16.10.2008

CIRCULAR

Sub.: Incorporation of Price Variation Clause in respect of Steel and Bitumen in Civil Contracts.

This is to communicate the approval of Board of Directors of MCL in its 100<sup>th</sup> meeting held on 27.09.2008 at Kolkata towards Incorporation of Price Variation Clause in respect of Steel and Bitumen in Civil Contracts. The Board deliberated the following on the subject as follows :

"RESOLVED that the proposal of Incorporation of Price variation clause in respect of steel and bitumen in Civil Engg. Contracts be and is hereby approved as per the details brought out in the agenda note".

However, the Board directed that development of any formula in this regard in future by any other company may be suitably adopted to the above price variation clause after getting it approved by the Board.

The modified "Additional Terms & Conditions" containing the Price Variation Clause incorporating the approval of MCL Board is enclosed herewith for implementation in all future tenders for civil works.

As per the directives of MCL Board, now onwards the estimates for road works are to be prepared excluding the cost of bitumen and a separate item is to be provided in the estimate for the Supply/Consumption of bitumen. Therefore, the nomenclature of the existing bituminous items of MCL-SOR'96 (roads) including Addendums, are to be suitably modified by adding words "excluding the cost of bitumen" in the item description. The list of bituminous SOR items and their rates excluding the cost of bitumen as derived from SOR'96 is enclosed herewith (Annexure-I) for ready reference. For Supply/Consumption of Bitumen, a separate item is being included in MCL-SOR'96 as an Addendum. The item description, rate and analysis for the same is enclosed herewith (Annexure-II).

The item nos. in respect of Bitumen and Steel items which are to be covered under the above escalation/de-escalation clauses [ Ref. clause no. 2.2(b) & 2.2(c) ] shall be specifically mentioned in the tender document.

This will come into force with immediate effect.

Encl.: As stated above.

*B. C. Mishra*  
16/10/08  
( D.C. Mishra- )  
General Manager (Civil).

Copy to:

1. CMD, MCL.
2. D(P), MCL.
3. D(F), MCL.
4. D(T), P&PMCL.
5. D(T), Operation, MCL.
6. CVO, MCL.
7. CGM(F), MCL.
8. CGM/GM, JAL/LA/TA/HA/CWS(X), TA/BHP/IBV/CWS(X), IBV/LKP/OA/BGA/CMS, NSCH, TA.
9. GM(F), MCL.
10. GM, MCL, Near Chandrasekharpur, OMFED Chowk, Plot No. D-3 (Godnam), BBSR.
11. GM(S&M), MCL, 15, Park Street, 3<sup>rd</sup> Floor, Kolkata-700 018.
12. Dy. CE(Civil)-I, II, III, MCL.
13. SO(C), JAL/LA/TA/HA/CWS(X), TA/BHP/IBV/CWS(X), IBV/LKP/OA/BGA/CMS, NSCH, TA.
14. AFI, JAL/LA/TA/HA/CWS(X), TA/BHP/IBV/CWS(X), IBV/LKP/OA/BGA/CMS, NSCH, TA.
15. SE(Civil)/c, AV/JV/PDC/Updtn., MCL, HO.
16. SE(Civil)/C, MCL, HO.
17. Sr. AD(Civil), MCL HO.
18. Circular file.

## ADDITIONAL TERMS AND CONDITIONS

The following additional terms and conditions are also acceptable to the company. The tenderers are requested not to quote any further additional conditions in the tender.

### 1. Mobilisation Advance

- i) No mobilization advance is payable for works whose estimated value is less than Rs.100.00 lakhs.
- ii) In the case of turn key work whose estimated value is more than Rs.100 lakhs a maximum of 10 % of the total contract value of work will be paid as mobilisation advance subject to submission of Bank Guarantee for equal amount.
- iii) In case of other civil works valued more than Rs.100 lakhs mobilisation advance will be paid upto 5% of the contract value subject to submission of Bank Guarantee for equal amount.
- iv) However, such mobilisation advance will carry interest on the basis of CIL's borrowing rate under cash credit arrangement as varying from time to time.
- v) The mobilisation advance shall be recovered from the bills of the contractor from the 2nd running account bill onwards @ 20% of the advance amount paid and full recovery would be ensured before or with the Final Bill.
- vi) The value of Bank Guarantee may be reduced to the extent such advance is recovered by the company subject to the conditions that the value of Bank Guarantee amount at any time is more than the recoverable outstanding advance. Bank Guarantee shall be irrevocable and from a Bank as per the list provided with the document.

### 2. Application of Price Variation Clause.

If the prices of materials (not being the materials supplied at fixed issue rates by the company) and wages of labour required for execution of the work increase or decrease, the contractor shall be compensated for such increase or recoveries will be made from the bills for such decrease, as per provisions detailed hereafter:

- (A) The amount of the contract shall accordingly be varied subject to the condition that such compensation for escalation/ de-escalation in price shall be available only for the work done during the stipulated period of the contract including such period for which the contract is validly extended under the provisions of the contract without any penal action.
- (B) The Applicability of Price Variation Clause to different items of work will be as follow

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16/10/08

a) Price Variation for items except BITUMEN and STEEL :

- i) The Price Variation clause in respect of MATERIALS, LABOUR and POL shall be applicable for works having stipulated period of completion more than 6 (six) months. The Price Variation clause shall not be applicable for works for which stipulated period of completion is 6 (six) months or less.
- ii) The compensation for escalation or recoveries to be made shall be worked out at quarterly intervals and shall be with respect to the cost of work done (for items except Bitumen & Steel) during the previous 3 (three) months. The first such payment will be made at the end of 3 (three) months after the month (excluding) in which the tender was accepted and thereafter at 3 (three) months' interval.

b) Price Variation for BITUMEN :

- i) The Price Variation clause in respect of MATERIAL shall be applicable for works having stipulated period of completion more than 1 (one) month.
- ii) The compensation for escalation or recoveries to be made for variation in the price of MATERIAL (BITUMEN) shall be worked out at monthly intervals and shall be with respect to the quantity of Bitumen consumed in the work during the previous 1 (one) month. The first such payment will be made at the end of 1 (one) month after the month (excluding) in which the tender was accepted and thereafter at 1 (one) months' interval.
- iii) The Price Variation clause in respect of LABOUR and POL shall not be applicable.

c) Price Variation for STEEL :

- i) The Price Variation clause in respect of MATERIAL shall be applicable for works having stipulated period of completion more than 1 (one) month.
- ii) The Price Variation clause in respect of LABOUR shall be applicable for works having stipulated period of completion more than 6 (six) months.
- iii) The compensation for escalation or recoveries to be made for variation in the price of MATERIAL (STEEL) shall be worked out at monthly intervals and shall be with respect to the cost of work done (for Steel Items) during the previous 1 (one) month. The first such payment will be made at the end of 1 (one) month after the month (excluding) in which the tender was accepted and thereafter at 1 (one) month's interval.

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16/10/08

iv) The compensation for escalation or recoveries to be made for variation in the wages of LABOUR shall be worked out at quarterly intervals and shall be with respect to the cost of work done (for Steel Items) during the previous 3 (three) months. The first such payment will be made at the end of 3 (three) months after the month (excluding) in which the tender was accepted and thereafter at 3 (three) months' interval.

v) The Price Variation clause in respect of POL shall not be applicable.

d) The summarized position in respect of the applicability of Price Variation clause as stated above shall be as under -

Types of Items	Contract period	Price Variation for Materials.	Price Variation for Labour.	Price Variation for POL.
For Items except BITUMEN and STEEL	Six months or less	Nil	Nil	Nil
	More than Six months.	Applicable	Applicable	Applicable
For BITUMEN	One month or less.	Nil	Nil	Nil
	More than One month.	Applicable	Nil	Nil
For STEEL	One month or less.	Nil	Nil	Nil
	More than One month and upto Six months.	Applicable	Nil	Nil
	More than Six months.	Applicable	Applicable	Nil

(C) The base date for working out such escalation/de-escalation shall be the last date on which the price bids or revised price bids were stipulated to be received.

(D) Job specific modification in the formula of Price Variation given in the following para(s) can be done with the approval of the CMD of the company.

2.1 Escalation/De-escalation for Labour: The amount paid to the contractor for the work done shall be adjusted for increase or decrease in the cost of labour and the cost shall be calculated quarterly in accordance with the following formula :

$$VL = W \times \frac{A}{100} \times \frac{L - L_0}{L_0}$$

Where :

VL = Variation in labour cost i.e., increase or decrease in the amount in rupees to be paid or recovered.

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W = Value of work done during the period under reckoning to which the escalation/de-escalation relates as indicated in clause-2.4 of the Additional Terms & Conditions of the contract.

A = Component of labour expressed as percentage of the total value work adopted from the Table-1.

Lo = Minimum wages for unskilled workers payable as per the Minimum Wages Act/Rules of the State or Central Govt., whichever is more, applicable to the place of work as on the last date stipulated for receipt of the price bids or revised price bids, whichever is later.

L = Revised minimum wages of unskilled worker corresponding to Lo during the period to which the escalation/de-escalation relates.

## 2.2 Escalation/ De-escalation on Material :

### (a) Escalation/ De-escalation on Materials for Items except Bitumen & Steel:

The amount to be paid to the contractor for the work done will be adjusted for increase or decrease in the cost of materials and the cost shall be calculated quarterly in accordance with the following formula:

$$V_m = W \times \frac{B}{100} \times \frac{M - M_o}{M_o}$$

Where :

$V_m$  = Variation in the material cost i.e. increase or decrease in the amount in rupees to be paid or recovered.

W = Cost of work done during the period under reckoning to which the escalation / de-escalation relates as indicated in clause-2.4 of the Additional Terms & Conditions of the contract.

B = Component of material expressed as percentage of the total value of the work adopted from the Table -1.

M = Average All-India Wholesale Price Index for all commodities for the period to which escalation/de-escalation relates as published by the RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

$M_o$  = All India Wholesale Price Index for all commodities as published by the RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, relating to the last date on which the price bids or revised price bids whichever is later were stipulated to be received.

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(b) Escalation/ De-escalation on Materials for BITUMEN :

- a. Escalation / De-escalation on Bitumen is applicable exclusively for the item of "Supply/Consumption of Bitumen of specified grade", provided separately in the estimate.
- b. The amount to be paid to the Contractor for the quantity of Bitumen consumed in the work will be adjusted for increase or decrease in the cost of Material (BITUMEN) and the cost shall be calculated monthly in accordance with the following formula:

$$V_B = Q (B - B_0)$$

Where -

- $V_B$  = Variation in the cost of Bitumen i.e. increase or decrease in the amount in rupees to be paid or recovered.
- $Q$  = Quantity of bitumen consumed in the month under reckoning to which the escalation / de-escalation relates.
- $B$  = Average basic rate of packed & bulk bitumen of grade as mentioned in the BOQ from IOC, Ex-Haldia (excluding the cost of Tax etc.) for the month to which escalation / de-escalation relates by taking into account the rate of bitumen (average rate of packed & bulk bitumen of grade as mentioned in the BOQ) on the first day and last day of the month and finding their average.
- $B_0$  = The basic rate of bitumen (average rate of packed & bulk bitumen of grade as mentioned in the BOQ) from IOC, Ex-Haldia (excluding the cost of Tax etc.) relating to the last date on which the price bids or revised price bids whichever is later were stipulated to be received.

(c) Escalation/ De-escalation on Materials for STEEL (Reinforcement Steel & Structural Steel:

- a. Escalation/de-escalation on steel is applicable exclusively for STEEL items provided separately in the estimate.
- b. Price Variation for Steel items in the estimate shall be calculated by considering 15% labour component and 85% material component.
- c. The amount to be paid to the Contractor for the Steel work done will be adjusted for increase or decrease in the cost of Material (STEEL) and the cost shall be calculated monthly in accordance with the following formula:

$$V_s = W \times \frac{B}{100} \times \frac{S - S_0}{S_0}$$

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Where :

Vs = Variation in the cost of steel i.e. increase or decrease in the amount in rupees to be paid or recovered.

W = Cost of steel work done during the month under reckoning to which escalation / de-escalation relates as indicated in clause- 2.4 of the Additional Terms and Conditions of the contract.

B = Component of material expressed as percentage of the total value of the work (85% in case of Steel Items).

S = Average All India wholesale Price Index for IRON AND STEEL for the month to which the escalation / de-escalation relates as published by the Economic Advisor, Ministry of Industry & Commerce, Govt. of India.

S<sub>0</sub> = Average All India wholesale Price Index for IRON AND STEEL as published by the Economic Advisor, Ministry of Industry & Commerce, Govt. of India relating to the last date on which the price bids or revised price bids, whichever is later, were stipulated to be received.

2.3 Escalation/ De-escalation on POL : The amount to be paid to the contractor for the work done shall be adjusted for the increase or decrease in the cost of POL and the cost shall be calculated quarterly in accordance with the formula given below :

$$Vf = W \times \frac{C}{100} \times \frac{F - F_0}{F_0}$$

Where :

Vf = Variation in the cost of fuel, oil and lubricants i.e. increase or decrease in the amount in rupees to be paid or recovered.

W = Value of work done during the period under reckoning to which the escalation/de-escalation relates as indicated in clause 2.4 of the Additional Terms & Conditions of the contract.

C = Component of POL expressed as percentage of the total cost of the work taken from Table -1.

F = Average Index Number for wholesale price for the group of 'Fuel, Power, Light & Lubricants' as published by the Economic Adviser, Ministry of Industry, Govt. of India for the period to which the escalation/de-escalation relates.

16/10/25

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Fo = Index number of wholesale price for the group, "Fuel, Power, light & lubricants" as published by the Economic Adviser, Ministry of Industry, Govt. of India prevalent on the last date of receipt of price bids or revised price bids, whichever is later.

**2.4** While calculating the value of "W" the following may be noted : The cost on which the escalation will be payable shall be reckoned as 85 % of the cost of work as per the bills to which escalation relates, and from this amount the value of materials supplied or services rendered at the prescribed charges under the relevant provisions of the contract, and proposed to be recovered in the particular bill, shall be deducted before the amount of compensation for escalation or de-escalation is worked out. In the case of materials brought to site for which any secured advance is included in the bill, the full value of such materials as assessed by the Engineer In Charge (and not the reduced amount for which secured advance has been paid) shall be included in the cost of work done for operation of this clause. Similarly, when such materials are incorporated in the work and the secured advance is deducted from the bill, the full-assessed value of the materials originally considered for operation of this clause should be deducted from the cost of the work shown in the bill, running or final. Further the cost of work shall not include any work for which payment is made at prevailing market rates.

**2.5** In the event the price of materials and / or wages of labour required for execution of the work decreases, there shall be downward adjustment of the cost of work so that such price of materials and/or wages of labour shall be deductible from the cost of work under this contract and in this regard the formulae herein before stated under this clause shall mutatis/mutandis apply provided that no such adjustment for the decrease in material price and / or wages of labour before mentioned would be made in case of contracts in which the stipulated period of completion of the work is Six (6) months or less, except for decrease in material prices for Bitumen and Steel.

In respect of the items for Bitumen and Steel, no such adjustment for the decrease in material price would be made in case of contracts in which the stipulated period of completion of the work is One (1) month or less.

**2.6** Application of Price Variation Clause during extended period of Contracts.

The Price Variation Clause as stated above will be applied for extended time frame of a contract by following the principle stated as under,

- i) Normally, if and when it is understood that a contract is not going to be completed within the scheduled time period, the contract is kept operative by extending the time of completion provisionally. During this provisional extended period the operation of the Price Variation Clause will remain suspended.

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- ii) If and when it is decided at the end of successful completion of the work that the delay was due to causes NOT attributable to the Contractor, then the Price Variation Clause will be revived and applied as if the scheduled date of completion has been shifted to the approved extended date.
- iii) If it is decided at the end of completion of the work that the delay was due to the fault of the Contractor, then the Price Variation Clause will not be revived and NO PAYMENT will be made to the Contractor on this account. Additionally the Clause related to Compensation for Delay will be applied.

No payment will be made by applying "FROZEN INDICES "under any circumstances.

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Table - 1

Value of A, B & C in the Escalation formula in the Additional Terms & Conditions for Civil Works :

Sl. No.	Particulars	A [%] (Labour Component)	B [%] (Material Component)	C [%] (POL Component)
1.	For Building works	25	75	Nil
2.	For Road works	15	80	05
3.	For external sewerage, external water supply and external electrification	10	90	Nil
4.	For external water supply, external sanitary and external electrification (through labour rate contract)	75	25	Nil
5.	For Steel structural works	15	85	Nil
6.	For Steel structural works with Deptt. free supply of rolled steel sections (through labour rate contract)	75	25	Nil
7.	For Coal Handling Plant Civil works	25	75	Nil
8.	For under-ground Civil works such as Incline Drivage, Shaft Sinking etc.	35	65	Nil

NOTE : For BITUMEN [Clause No. 2.2 (b)] and for STEEL [Clause No. 2.2 (c)] are to be referred in place of Table - 1.

For all other works not listed above, the component of labour, material and POL of the total cost of work shall be as specifically indicated in the tender document.

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## Rate of the items of MCL SOR-1996, excluding the cost of Bitumen.

Sl. No	Items ref. of MCL-SOR96 ( Road)	Brief description of Item	SOR '96 rate including cost of Bitumen	SOR'96 rate excluding Cost of Bitumen
1	26	P & L 2.5mm premix carpet	45.85/sqm	21.10/ sqm
2	33	50 mm thick BM & as per MOST	80.40/sqm	46.55/sqm
			1607.95/cum	930.65/cum
3	34	P & L 50mm thick L.B.M	1558.50/cum	978.00/cum
4	35	P & L 75mm thick B.M	120.60/sqm	69.80/sqm
			1607.95/cum	930.65/cum
5	36	P & L 75mm thick BUSG	80.55/sqm	54.15/sqm
6	37	P & L 25mm thick SDBM	58.60/sqm	31.35/sqm
			2345.00/cum	1254.30/cum
7	38	P & L MSS type A, 20mm thick.	41.10/sqm	21.75/sqm
8	39	P & L MSS type B, 20mm thick.	40.75/sqm	24.05/sqm
9	40	P & L first coat surface dressing .	27.65/sqm	11.85/sqm
10	41	P & L second coat surface dressing .	16.30/sqm	7.50/sqm
11	42	P & L 20mm thick premix as per MOST.	38.45/sqm	25.60/sqm
12	43	P & A liquid seal coat type - A	14.30/sqm	5.70/sqm
13	44	P & A liquid seal coat type - B.	10.75/sqm	4.80/sqm
14	45	P & A Tack coat on BM surface.	5.65/sqm	1.25/sqm
15	46	P & A Tack coat on BM surface immediately after laying B.M.	5.20/sqm	0.80/sqm
16	47	P & A Tack coat on WBM surface .	11.90/sqm	3.10/sqm
Rates for items circulated as addendum of MCL SOR-1996 circulated vide letter no. MCL/SAMB/Civil/07-08/1870 dtd. 19.2.2008.				
17	Addendum item - 1	P & L 2mm thick premix carpet.	29.40/sqm	16.70/sqm
18	Addendum item - 2	P & L 2.5mm thick premix carpet.	36.15/sqm	20.25/sqm
19	Addendum item - 3	P & L premix seal coat with fine aggregate / sand.	10.00/sqm *	3.20/sqm
20	Addendum item - 4	P & L seal coat by spraying bitumen and aggregate.	13.55/sqm	4.90/sqm

*Harish*

*B. M. S.*

Additional item as addendum of MCL SOB-1996(Road Works)- Item no.- 5

Sl.No.	Description	Unit	Rate
5	Supply/consumption of bitumen 80/100 grade at work site inclusive of all taxes and duties and transportation cost.	M.T.	8795.80

ANALYSIS OF RATE

Sl.No.	Description	Unit	Qty	Rate	Amount
5	Supply/consumption of bitumen 80/100 grade at work site inclusive of all taxes and duties and transportation cost.	M.T.			
	Details of cost of 1.00 M.T.				
	Cost of bitumen	M.T.	1.00	7960.00	7960.00
	Add C.P. @ 10%				796.00
	Add for Q.C. & maintenance of diversion @ 0.5%				39.80
	Total			Rs.	8795.80

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