

Price Adjustment

1. Formula for Price Adjustment

The formula mentioned below is in its generalized form. The Employer/user shall at the time of preparation of their bidding/tender documents shall determine the proportions of A, b, c, d, by appropriate rate analysis following the procedure enumerated herein below:

Formula for Price Adjustment:

$$P_n = A + b \frac{L_n}{L_o} + c \frac{M_n}{M_o} + d \frac{E_n}{E_o} + \dots$$

where,

“P_n” is the Price Adjustment factor for the work carried out in the period “n”.

“A” is a constant or the Non-Adjustable Portion of the Price Adjustment Factor to be specified in Appendix-C to Bid, representing the Non-Adjustable Portion of the Contract Price.

“b, c, d” are Coefficients or weightages of the order of 0.xx (i.e., fractions having two significant digits) for each specified element of adjustment in the Contract. The sum of A, b, c, d, etc., shall be one.

“L_o, M_o, E_o” are the Base Date Indices for the specified (adjustable) elements.

“L_n, M_n, E_n” are the Current Date Indices of the specified (adjustable) elements for the period “n”.

If “P” is the amount payable (prior to adjustment) at the rates entered in the Price Schedule of the work carried out in period “n” then, adjusted amount payable to the Contractor for the work carried out in the period “n” shall be equal to P_n*P...

2. Base and Current Dates Prices

The base date and Current date prices of the specified elements shall be obtained from the sources specified in the contract.

3. Elements for Price Adjustment

Specified Elements are subjected to Price Adjustment.

The specific elements for highway and bridge construction would typically be:

- (i) POL (HSD); (ii) Labour ; (iii) Cement; (iv) Steel; (v) Bitumen; (vi) Aggregate ; and (vii) Other major elements depending on the nature of the project.

Similarly, the specified elements for building construction would typically be:

- (i) POL (HSD); (ii) Labour ; (iii) Cement; (iv) Steel; (v) Bricks; (vi) Tiles; (vii) Cables; (viii) Conduits (all types); (ix) Pipes (all types); (x) Steel Sheet (all types); (xi) Steel Sections (all types);
- (xii) Aluminum Sections (all types); (xiii) Electric Switch Gears; and
- (xiv) Other major elements depending upon the nature of the project.

Similarly, major specified elements for other types of projects can be specified in the contract in addition to or instead of the specified elements as enumerated above.

4. **Co-efficient or Weightages**

The co-efficient for each specified element shall be calculated and given in the bidding/tender documents. The co-efficient for each specified adjustable element shall be determined by the user proportionate to its ratio in the total amount of the Engineer's Estimate, in accordance with the procedure B-1 given under Part 1. The sum of these co-efficients shall form the adjustable portion of the Contract, which shall not exceed 0.65.

5. **Adjustable Portion of the Contract**

The adjustable portion of the Contract shall be computed as provided in forgoing Procedures.

6. **Source of Price**

Source of Base Date and Current Date Prices shall be as stipulated at item B-4 under Part 1. If any other source is used, it must be clearly stated in the tender documents before issuing the tender documents.

7. **Price Adjustment for Lump sum Contract**

Formula of Price Adjustment provided at Item-1 above shall be used in determining Price Adjustment for contracts having detailed breakdown of cost. However, when a contract is assigned on lump sum basis without detailed breakdown of quantities and cost, Price Adjustment for the specified elements in the contract will be computed on simple derivation, increase/decrease in cost = Current Date Price - Base Date Price.

Base Date Price

If the resulting Price Adjustment Factor is positive (+ve), the price should be added to the contractor's payable amount. If the result is negative (-ve), the price should be subtracted from the payable amount.

The executed quantities of the elements subject to Price Adjustment can be obtained from the actual measurement or from a certified invoice of the contractor or any other mode agreed between the parties, which shall be stipulated in the contract.