G20 (logo) Coal India (logo)	**कोल इंडिया लिमिटेड** (भारत सरकार का उपक्रम) **Coal India Limited** (A Government of India Enterprise)	**संविदा प्रबंधन प्रकोष्ठ** **Contract Management Cell (CMC)** कोल भवन, परिसर संख्या 04 एम.ए.आर., प्लॉट नं ए.एफ. III Coal Bhawan, Premises No. 04 MAR, Plot No. AF-III एक्शन एरिया 1ए, न्यू टाउन, राजरहाट, कोलकाता: 700156 Action Area – 1A, New Town, Rajarhat, Kolkata: 700156
	CIN: L23109WB1973GOI028844 Website: www.coalindia.in	फोन/Phone: 033-71104198 ई मेल/e-mail: gmcmc.cil@coalindia.in

संदर्भ संख्या: सी.आई.एल/महाप्र(संप्रप्र)/2023/31   दिनांक: 14.02.2023

सेवा में,

The General Manager (CMC)
ECL/BCCL/CCL/NCL/WCL/SECL/MCL

The General Manager, NEC.

विषय: Implementation of New Formula of Price Variation Clause (PVC) in existing contracts with old PVC formula

महाशय,

A Committee was constituted to examine the various representations in respect of matter relating to implementation of the revised escalation/de-escalation formula for various mining contracts finalized by different subsidiary companies and suggest suitable measures. The recommendations of the committee are quoted below:

Quote:
a) *New PVC formula approved for future contracts in 270th meeting of CFDs of CIL held on 25.11.2021 may be implemented in existing contracts also*

b) *Escalation / de-escalation payment up to & including April 2022 may be based on the formula provided in the agreement / bidding document.*

c) *Escalation / de-escalation payment for the month of May 2022 and onwards may be based on the new PVC formula approved for future contracts in 270th meeting of CFDs of CIL.*

   The base date for diesel rate/litre, wages etc. may be 1st April, 2022.

d) *Whenever, diesel rate/litre goes below the rate as on 1st April, 2022, the escalation / de-escalation payment may be as per original PVC formula. However, in cases where the rate of diesel goes above the diesel rates of 1st April 2022, the new PVC formula may be applied.*

e) *Based on above, amendment to individual contracts may be executed by respective subsidiary companies.*

                                                                    :Unquote

The new PVC formula mentioned above was communicated to the Subsidiaries vide letter No. 1580 dated 17.11.2021 (ratified in 270th meeting of CFDs CIL held on 25.11.2021) and also included in Chapter 6 of CMM, updated up to April 2022.

2. CIL Board in its 441st meeting held on 22.05.2022 agreed to the above methodology recommended by the Committee.

3. The subject issue was also discussed in a meeting held on 20.12.2022 under the chairmanship of Secretary, Coal; the minutes of the meeting mentions the following:

Quote:
2.5. It was agreed that the existing contracts will not be renewed or extended for further duration. New tenders will be floated to replace existing contracts for appointment of contractors.

:Unquote

4. Subsequently, a proposal on the subject matter was placed for deliberation in the 449th CIL Board meeting held on 31.01.2023. As communicated by Company Secretary, CIL vide letter No. CIL:XI(D):04112:2023:30046 dated 13.02.2023, CIL Board in its 449th meeting, after detailed deliberations, accorded their approval for implementation of the above methodology to be adopted by CIL for the existing contracts finalized by CIL subsidiary companies without setting any precedence.

5. Modality for implementation of recommendation at "e": Based upon the request submitted to the Engineer-in-Charge by the contractor of the identified HoE contract (governed by Chapter 6 of CMM), asking for implementation of new PVC clause in their contract, a new supplementary agreement shall be executed between the concerned contractor and the Company with intimation to TAA in line with the attached specimen **(Annexure-A)**.

This is for your information and for compliance of the directives of Secy (Coal), GoI & CIL Board.

भवदीय,

14/02/2023

HoD (CMC)
CIL

प्रतिलिपी:

1. Director (Technical), CIL
2. ED (Co-ordination), CIL / TS to Chairman, CIL
3. Company Secretary, CIL
4. GM (System), CIL with a request to upload the document on CIL website
5. TS to D(T), CIL
6. Office file

SUPPLEMENTARY AGREEMENT (SPECIMEN)

This amendment in terms of Supplementary Agreement is between _____(company) and _____ (contractor) who are parties to the _____ (Original Agreement) dated _____   a copy of which is attached as Exhibit A.

In the context of the joint representation from the Working Contractors of CIL received on 30th Oct.'2021 and based on the report submitted by NPC, a new formula in Price Variation Clause (PVC) was approved by CIL on 25th Nov.'2021 for future tenders including tenders in which bid submission has not been completed. The same revised formula in PVC clause was approved by CIL for existing contracts without setting any precedence, taking into consideration the unprecedented increase in the price of diesel, energy security of the nation and high demand for coal vide order No. _____ dated _____.

Accordingly, pursuant to Clause No. _____ of Section _____ and Clause No. _____ of Section _____ of the original Agreement relating to escalation / de-escalation of prices, the parties wish to amend the Terms & Conditions of the Agreement as follows:

A. Clause No. [19.02] shall be amended by adding the following:

The compensation of Price variation shall be worked out at monthly intervals and shall be with respect to the work done during the previous month. The first such payment shall be made at the end of one month after the month (excluding) in which the tender was accepted and thereafter at monthly interval.

Clause No. [19.04] shall be amended by adding the following which shall be effective only when the average diesel price of the considered month is more than the price of diesel as on 01.04.2022. However, the price variation as per this amendment shall be made applicable on and after 01.05.2022.

If and when the average diesel price of considered month goes down to less than or equal to the price of diesel as on 01.04.2022, the clauses as applicable in the original contract shall again come into effect.

The Payment for price variation shall be done as follows:

Price Variation on account of diesel, wages and other components shall be governed by the following formula:

$$= R' \times [\{a' \times (D'_1 - D'_0)/D'_0\} + \{b' \times (W_1 - W'_0)/W'_0\} + \{c' \times (M'_1 - M'_0)/M'_0\}]$$

where,

R' (derived rate as on 01.04.2022)

$$= R + [R \times a \times (D_1 - D_0)/D_0] + [R \times b \times (W_1 - W_0)/W_0] + [R \times c \times (M_1 - M_0)/M_0]$$

given that

i)   R = Awarded Rate in Rs/Cu.M for excavation cum removal/transportation of OB (including drilling) (First Dig or Loose Dumped).

ii) D_0 = Base price of diesel corresponding to the last date of submission of Bid.

iii)   D1 = Price of diesel on 01.04.2022.

iv)   a = 0.30 for diesel component or the old component as per original agreement expressed as percentage of total value of work.

v) W_0 = All India Consumer Price Index for Industrial Workers (CPI(IW)) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, related to last date of bid submission, whichever applicable.

vi) W_1 = Average All India Consumer Price Index for Industrial Workers (CPI(IW)) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

vii)   b = 0.10 for 'other components (wages)' or the old component as per original agreement expressed as percentage of total value of work.

viii) M_0 = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

ix) M_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by

RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

x) $c = 0.15$ for 'other components' or the old component as per original agreement expressed as percentage of total value of work.

xi) $a' = 0.56$ for diesel component expressed as percentage of total value of work.

xii) $D_0' = $ Price of diesel as on 01.04.2022.

xiii) $D_1' = $ Average price of Diesel corresponding to period of variation within the period under consideration after 01.05.2022.

xiv) $b' = 0.09$ for 'other components (wages)' expressed as percentage of total value of work.

xv) $W_0' = $ Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, as applicable on 01.04.2022.

xvi) $W_1' = $ Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

xvii) $c' = 0.04$ for 'other components' expressed as percentage of total value of work.

xviii) $M_0' = $ All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, as applicable on 01.04.2022.

xix) $M_1' = $ Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

B. Clause No. [32.02] shall be amended by adding the following:

The compensation of Price variation shall be worked out at monthly intervals and shall be with respect to the work done during the previous month. The first such payment shall be made at the end of one month after the month (excluding) in which the tender was accepted and thereafter at monthly interval.

Clause No. [32.04] shall be amended by adding the following which shall be effective only when the average diesel price of the considered month is more than the price of diesel as on 01.04.2022. However, the price variation as per this amendment shall be made applicable on and after 01.05.2022.

If and when the average diesel price of considered month goes down to less than or equal to the price of diesel as on 01.04.2022, the clauses as applicable in the original contract shall again come into effect.

The Payment for price variation shall be done as follows:

(a) Excavation, Removal & Transportation of Overburden

Price Variation on account of diesel, wages and other components shall be governed by the following formula:

$$= R' \times [\{a' \times (D'_1 - D'_0)/D'_0\} + \{b' \times (W_1 - W'_0)/W'_0\} + \{c' \times (M'_1 - M'_0)/M'_0\}]$$

where,

R' (derived rate as on 01.04.2022)

$$= R + [R \times a \times (D_1 - D_0)/D_0] + [R \times b \times (W_1 - W_0)/W_0] + [R \times c \times (M_1 - M_0)/M_0]$$

given that

i) R = Awarded Rate in Rs/Cu.M for excavation cum removal/transportation of OB (including drilling) (First Dig or Loose Dumped).

ii) D_0 = Base price of diesel corresponding to the last date of submission of Bid.

iii) D_1 = Price of diesel on 01.04.2022.

iv) a = 0.30 or the old component as per original agreement for diesel component expressed as percentage of total value of work.

v) W_0 = All India Consumer Price Index for Industrial Workers (CPI(IW)) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, related to last date of bid submission, whichever applicable.

vi) W_1 = Average All India Consumer Price Index for Industrial Workers (CPI(IW)) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

vii) b = 0.10 for 'other components (wages)' or the old component as per original agreement expressed as percentage of total value of work.

viii) M_0 = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

ix) M_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

x) c = 0.15 for 'other components' or the old component as per original agreement expressed as percentage of total value of work.

xi) a' = 0.56 for diesel component expressed as percentage of total value of work.

xii) D_0' = Price of diesel as on 01.04.2022.

xiii) D_1' = Average price of Diesel corresponding to period of variation within the period under consideration after 01.05.2022.

xiv) b' = 0.09 for 'other components (wages)' expressed as percentage of total value of work.

xv) W'_0 = Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, as applicable on 01.04.2022.

xvi) W'_1 = Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

xvii) c' = 0.04 for 'other components' expressed as percentage of total value of work.

xviii) M'_0 = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, as applicable on 01.04.2022.

xix) M'_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

(b) Extraction & Transportation of Coal

Price Variation on account of diesel, wages and other components shall be governed by the following formula:

$$= R' \times [\{a' \times (D'_1 - D'_0)/D'_0\} + \{b' \times (W_1 - W'_0)/W'_0\} + \{c' \times (M'_1 - M'_0)/M'_0\}]$$

where,

R' (derived rate as on 01.04.2022)

$$= R + [R \times a \times (D_1 - D_0)/D_0] + [R \times b \times (W_1 - W_0)/W_0] + [R \times c \times (M_1 - M_0)/M_0]$$

given that

i) R = Awarded Rate in Rs/Cu.M for excavation cum removal/transportation of OB (including drilling) (First Dig or Loose Dumped).

ii) D_0 = Base price of diesel corresponding to the last date of submission of Bid.

iii) D_1 = Price of diesel on 01.04.2022.

iv) a = 0.30 or the old component as per original agreement for diesel component expressed as percentage of total value of work.

v) W_0 = All India Consumer Price Index for Industrial Workers (CPI(IW)) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, related to last date of bid submission, whichever applicable.

vi) W_1 = Average All India Consumer Price Index for Industrial Workers (CPI(IW)) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce,

Govt. of India.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

vii) $b = 0.10$ for 'other components (wages)' or the old component as per original agreement expressed as percentage of total value of work.

viii) M_0 = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

ix) M_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

x) $c = 0.15$ for 'other components' or the old component as per original agreement expressed as percentage of total value of work.

xi) $a' = 0.46$ for diesel component expressed as percentage of total value of work.

xii) D_0' = Price of diesel as on 01.04.2022.

xiii) D_1' = Average price of Diesel corresponding to period of variation within the period under consideration after 01.05.2022.

xiv) $b' = 0.15$ for 'other components (wages)' expressed as percentage of total value of work.

xv) W_0' = Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, as applicable on 01.04.2022.

xvi) W_1' = Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

xvii) $c' = 0.05$ for 'other components' expressed as percentage of total value of work.

xviii) M_0' = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt.

of India, as applicable on 01.04.2022.

xix) M'_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

(c) <u>Extraction of Coal by Surface Miner</u>

The Payment for price variation shall be done as follows:

Price Variation on account of diesel, wages and other components shall be governed by the following formula:

$$= R' \times [\{a' \times (D'_1 - D'_0)/D'_0\} + \{b' \times (W_1 - W'_0)/W'_0\} + \{c' \times (M'_1 - M'_0)/M'_0\}]$$

where,

R' (derived rate as on 01.04.2022)

$$= R + [R \times a \times (D_1 - D_0)/D_0] + [R \times b \times (W_1 - W_0)/W_0] + [R \times c \times (M_1 - M_0)/M_0]$$

given that

i) R = Awarded Rate in Rs/Cu.M for excavation cum removal/transportation of OB (including drilling) (First Dig or Loose Dumped).

ii) D_0 = Base price of diesel corresponding to the last date of submission of Bid.

iii) D_1 = Price of diesel on 01.04.2022.

iv) a = 0.25 for diesel component or the old component as per original agreement expressed as percentage of total value of work.

v) W_0 = All India Consumer Price Index for Industrial Workers (CPI(IW)) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, related to last date of bid submission, whichever applicable.

vi) W_1 = Average All India Consumer Price Index for Industrial Workers

(CPI(IW)) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

vii)   b = 0.05 for 'other components (wages)' or the old component as per original agreement expressed as percentage of total value of work.

viii) M_0 = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

ix) M_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

x)   c = 0.15 for 'other components' or the old component as per original agreement expressed as percentage of total value of work.

xi)   a' = 0.29 for diesel component expressed as percentage of total value of work.

xii) D_0' = Price of diesel as on 01.04.2022.

xiii) D_1' = Average price of Diesel corresponding to period of variation within the period under consideration after 01.05.2022.

xiv) b' = 0.07 for 'other components (wages)' expressed as percentage of total value of work.

xv) W'_0 = Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, as applicable on 01.04.2022.

xvi) W'_1 = Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

xvii) c' = 0.01 for 'other components' expressed as percentage of total value of work.

xviii) M'_0 = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, as applicable on 01.04.2022.

xix) M'_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

(d) <u>Loading and transportation of coal extracted by Surface Miner</u>

The Payment for price variation shall be done as follows:

Price Variation on account of diesel, wages and other components shall be governed by the following formula:

$$= R' \times [\{a' \times (D'_1 - D'_0)/D'_0\} + \{b' \times (W_1 - W'_0)/W'_0\} + \{c' \times (M'_1 - M'_0)/M'_0\}]$$

where,

R' (derived rate as on 01.04.2022)

$$= R + [R \times a \times (D_1 - D_0)/D_0] + [R \times b \times (W_1 - W_0)/W_0] + [R \times c \times (M_1 - M_0)/M_0]$$

given that

i) R = Awarded Rate in Rs/Cu.M for excavation cum removal/transportation of OB (including drilling) (First Dig or Loose Dumped).

ii) D_0 = Base price of diesel corresponding to the last date of submission of Bid.

iii) D_1 = Price of diesel on 01.04.2022.

iv) a = diesel component as per original agreement expressed as percentage of total value of work.

v) W_0 = All India Consumer Price Index for Industrial Workers (CPI(IW)) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, related to last date of bid submission, whichever applicable.

vi) W_1 = Average All India Consumer Price Index for Industrial Workers (CPI(IW)) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

OR

Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

vii) b = 'other components (wages)' as per original agreement expressed as percentage of total value of work.

viii) M_0 = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, related to last date of bid submission.

ix) M_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

x) c = 'other components' as per original agreement expressed as percentage of total value of work.

xi) a' = 0.37 for diesel component expressed as percentage of total value of work.

xii) D_0' = Price of diesel as on 01.04.2022.

xiii) D_1' = Average price of Diesel corresponding to period of variation within the period under consideration after 01.05.2022.

xiv) b' = 0.25 for 'other components (wages)' expressed as percentage of total value of work.

xv) W'_0 = Rate of wages including VDA per day of unskilled worker as per HPC recommendations, published by CIL, as applicable on 01.04.2022.

xvi) W'_1 = Rate of wages including VDA per day of unskilled worker as per HPC recommendations, for the period to which escalation / de-escalation relates, as published by CIL.

xvii) c' = 0.07 for 'other components' expressed as percentage of total value of work.

xviii) M'_0 = All India Whole Sale Price Index for all commodities (WPI) as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India, as applicable on 01.04.2022.

xix) M'_1 = Average All India Whole Sale Price Index for all commodities (WPI) for the period to which escalation / de-escalation relates as published by RBI Bulletin, Ministry of Industry & Commerce, Govt. of India.

1. PURPOSE:

   This Amendment is supplementary to the Original Agreement. The purpose of this Amendment is to reduce the difference between the compensation rendered by the existing Price Variation Clause and the actual financial impact due to rise in price of diesel.

2. INCONSISTENCY:

   If there is a conflict between this amendment and the original Agreement, the terms of this amendment will govern.

3. AGREEMENT CONTINUANCE:

   Except as expressly modified and supplemented by this Amendment, all other Terms and Conditions in the Original Agreement shall remain in full effect and continue to bind the parties.

This Amendment, together with the Original Agreement, constitutes the Final Agreement of the Parties. It is the complete and exclusive expression of the Parties' Agreement with respect to its subject matter. Neither Party was induced to enter this Amendment by, and neither Party is relying on any statement, representation, warranty, or agreement of the other party except those set forth expressly in this Amendment. Except as set forth expressly in this Amendment there are no conditions precedent to this Amendment's effectiveness.

This Amendment will become effective from the date mentioned in this Supplementary Agreement