

**GOVERNMENT OF ANDHRA PRADESH  
PANCHAYATI RAJ ENGINEERING DEPARTMENT**

Circular memo No. W8/ DEE3/ PMGSY/ Price adjustment/ 2015-3, Dt.09.11.2015

Sub: PRED – Roads & Bridges works – Price adjustment calculations – Procedure to be adopted – Regarding.

- Ref:
1. G.O. Ms. No.35, T,R&B(R.I) Dept. Dt.28.02.2006
  2. G.O. Ms. No.73, T,R&B(R.I) Dept. Dt.24.04.2006
  3. G.O. Ms. No.94, T,R&B(R.I) Dept. Dt.16.04.2008
  4. G.O. Ms. No.252, T,R&B(R.I) Dept. Dt.28.08.2008
  5. Minutes of 1<sup>st</sup> meeting of BoCEs during the year 2012 held @ 11.00 AM on 17.03.2012 communicated vide Lr.No. RC/ ENC(AW)/ ADA/ AEE3/ 24686/ Vol.IX/ 2012 dt.24.08.2012 of the Engineer-in-Chief, (AW), I&CAD Dept., & Chairman, BoCEs
  6. GO Ms No.23 dt. Dt.11.02.201 of PR&RD (Progs.II) Dept.
  7. Appraisal report No.97 (C.No.141/ V&E/ E1/ 2014) dt.21.05.2015 of GA (V&E) Dept., Govt. of AP.
  8. This office Lr. No. W8/ DEE3/ PMGSY/ Price adjustment/ 2015, Dt.09.11.2015 addressed BoCEs and the Engineer-in-Chief, R&B (Administration) & SR, AP, Hyderabad

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Through reference 7<sup>th</sup> cited, the General Administration (V&E) Dept. have communicated the appraisal report on irregularities on award of price escalation on Bitumen and POL wherein certain observations were made.

Through reference 8<sup>th</sup> cited, this office has addressed BoCEs and the Engineer-in-Chief, R&B (Administration) & SH, AP, Hyderabad for necessary clarification in calculating the price adjustment of Bitumen & POL. Until the clarification is received, the following procedure is to be adopted uniformly throughout the State in Panchayat Raj department (except externally aided projects wherein respective guidelines are to be followed) for all ongoing works for which final bills are to be paid.

**Cement & Steel:** As per G.O. Ms. No.94, T,R&B(R.I) Dept. Dt.16.04.2008, the absolute variation between the estimated rate and the rate approved by the Government based on the recommendation of Board of Chief Engineers for the month, i.e.,

For Cement:

- Vc =  $Qc \times (Ci - Co) / Co$
- Vc = Increase or decrease in the cost of work done during the period under consideration due to changes in the rates for cement.
- Qc = Actual quantity of cement executed as per estimate during the period of measurement.
- Co = Cement rate in approved estimate based on which bids are called.
- Ci = Cement rate on the day 28 days prior to the last date of measurement recorded as fixed by BoCEs for every month.

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For Steel:

- Vs =  $Qs \times (Si - So) / So$   
Vs = Increase or decrease in the cost of work done during the period under consideration due to changes in the rates for steel.  
Qs = Actual quantity of steel executed as per estimate during the period of measurement.  
So = Steel rate in approved estimate based on which bids are called.  
Si = Steel rate on the day 28 days prior to the last date of measurement recorded as fixed by BoCEs for every month.

*The price adjustment of steel is applicable only when the difference between So and Si is more or less than 5%.*

**Bitumen & POL:** In G.O. Ms. No.252, T.R&B(R.I) Dept. Dt.28.08.2008, at para 4, it was mentioned that 'adopt Price adjustment for Bitumen and POL every fortnight in supersession of the orders issued in G.O.Ms.No.35, T.R & B Dept., Dated: 28.02.2006 by replacing the co-efficient of 0.85 by "1" i.e. absolute variation of the rate fixed by the Public Sector Undertakings (PSUs) and at sub para 4 (vii), it was mentioned that this order will apply only when *the difference between the estimated rates of POL and Bitumen and their current price is more or less than 5%.*

For Bitumen: Since bitumen rate is also being approved in the estimate based on which tenders are called, it is instructed to calculate price variation of bitumen in the following two methods and to allow the price variation which is advantageous to department.

Method 1:

- Vb =  $Qb \times (Bi - Bo) / Bo$   
Vb = Increase or decrease in the cost of work done during the period under consideration due to changes in the rates for Bitumen.  
Qb = Actual quantity of Bitumen executed as per estimate during the period of measurement.  
Bo = Bitumen rate in approved estimate based on which bids are called.  
Bi = Bitumen rate on the day 28 days prior to the last date of measurement recorded as fixed by PSUs every fortnight.

*The price adjustment of above method is applicable only when the difference between Bo and Bi is more or less than 5%.*

Method 2:

- Vb =  $1.0 \times Pb / 100 \times R \times (Bi - Bo) / Bo$  (as per para 4 of GO Ms No.252)  
Vb = Increase or decrease in the cost of work done during the period under consideration due to changes in the rates for Bitumen.  
Pb = Percentage of bitumen component of the work.  
R = The value of work excluding seigniorage charges, VAT and all overhead charges.  
Bo = Bitumen rate as on the day 28 days prior to date of submission

The price adjustment of above method is applicable only when the difference between  $B_o$  and  $B_i$  is more or less than 5%.

For POL (HSD): Since HSD rate is not being approved *specifically* in the estimate based on which tenders are called, it is instructed to calculate price variation of HSD in the following method as per V&E recommendations.

- $V_f = 1.0 \times P_f / 100 \times R \times (F_i - F_o) / F_o$  (as per para 4 of GO Ms No.252)
- $V_f =$  Increase or decrease in the cost of work done during the period under consideration due to changes in the rates for HSD.
- $P_f =$  Percentage of POL (HSD) component of the work shall be 15%.
- $R =$  The value of work excluding seigniorage charges, VAT and all over head charges.
- $F_o =$  HSD rate as on the day 28 days prior to date of submission of bids as fixed by PSUs every fortnight.
- $F_i =$  HSD rate on the day 28 days prior to the last date of measurement recorded as fixed by PSUs every fortnight.

The price adjustment of above method is applicable only when the difference between  $F_o$  and  $F_i$  is more or less than 5%.

Further, the price adjustment of Cement, Steel, Bitumen & POL is to be allowed after deducting the basic 5%, whether it is increase or decrease as per GO Ms No.1, dt.25.02.2012 of F(W&P) Dept., read with GO Ms No.23 dt.11.02.2014 of PR&RD (Progs.II) Dept.

Sd/- C.V.S. Ramamurthy  
Engineer-in-Chief, PR,  
AP-Hyderabad

To  
All the Superintending Engineers, PR in the state.  
The Chief Engineer, PR, AP, Hyderabad.  
The Chief Engineer(PR), RIAD, NABARD & MGNREGS, AP, Hyderabad.  
Copy to the Deputy Chief Engineer in the office of the Engineer-in-Chief, PR, AP-Hyderabad.  
Copy to all the Executive Engineers in the office of the Engineer-in-Chief, PR, AP-Hyderabad.  
Copy to T-Section of this office.  
Copy submitted to the Principal Secretary to Government, PR & RWS, Govt. of Andhra Pradesh.  
Copy communicated to the Engineer-in-Chief (IW) & Chairman, BoCEs, Water Soudha Buildings, Errum Manzil, Hyderabad for favour of information.  
Copy communicated to the Engineer-in-Chief, R&B (Administration) & SR, AP, Errum Manzil, Hyderabad for favour of information.

-//t.c.f.b.o//-

Deputy Executive Engineer-3, PMGSY

at/11/15