



CHENNAI METROPOLITAN WATER SUPPLY AND SEWERAGE BOARD

CIRCULAR

Proc.No:CMWSSB/ Co-ordn. /Special /012/ 2025

Dt. 01.04.2025

Sub: CMWSSB – Projects – Price escalation clause – Instructions – Reg.

Several capital works in Water supply Scheme and sewer scheme are executed by the Board. Procuring and laying of pipes is the major component in both Water Supply and Sewerage Schemes

As per the existing tender condition, for supply of pipes: 70% of the quoted rates will be released after supply of above at site on production of Bank Guarantee equivalent to the amount to be paid.

Laying, jointing, testing of pipeline at site: 20% payment from the quoted rates will be released after laying, jointing, testing of pipeline at site. The Bank Guarantee obtained towards the advance paid for the pipes already laid, jointed and tested can be released proportionately.

On commissioning: Remaining 10% payment from the quoted rates will be released after commissioning of the entire pipeline.

While reviewing the progress of schemes, it was ascertained that, the major reason for delay in achieving the milestones is being the delay in procurement of Pipes.

- The Pipeline portion contributes around 70% of the contract value for any Water Supply Scheme and sewerage scheme of CMWSS Board.
- All the pipe manufacturers were supplying pipes on Cash and carry system, So, the contractors have to invest around 70% of the project cost.
- For reimbursement of part of the investment the contractors have to again invest additional cost for purchasing due to the prevailing condition of the Bank guarantee for the release of supply of pipes as below

As per the existing agreement condition, 70% payment on cost of pipe will only be released for receipt of supply at site and on production of Bank Guarantee equivalent to the amount to be paid.

2/


- Due to the additional burden of taking Bank Guarantee, the contractors are restricting the procurement of materials (Pipes and Pumpsets) to avoid negative cash flow
- The delay in procurement of pipes and materials by the contractor resulted in poor Physical and Financial progress.

Hence, to address this scenario in the Board, the proposal for modification in the tender conditions of bid documents relating to payment towards works done for water supply/sewerage works was placed in the 349th Board meeting held on 08.11.2024. Accordingly, the Board has accorded approval vide Resolution No.183/2024 for relaxing the condition of providing Bank guarantee for payment against supply of pipes/EMI items by the Contractor.

All the Contractors were informed to procure the required pipes for the project in the months of November & December 2024, to procure and stack the pipes in CMWSSB site to avoid buying the pipes at an escalated price later.

In this regard, the Project Engineers should take note that the price escalation clause will not be applicable for the pipes & other EMI items to be supplied for the project. It is reiterated that owing to the above Board resolution all the project wings shall ensure the early procurement of pipes required for the projects.

Henceforth the Project CE/SE/EE should not submit any note to Managing Director requesting for Price escalation if any requested by the Contractor. Disciplinary action will be initiated against the erring officials.

 M.D


MANAGING DIRECTOR

Copy to :

1. O/o. Executive Director
2. O/o. Finance Director
3. O/o. Engg.Director
4. O/o. All CEs (To circulate to their SEs/EEs)
5. O/o. SE (C&M)
5. PPC & Co-ordn Wings to maintain the circular in a stock file
6. Copy to I.T. wing to upload the circular in CMWSSB website