



MES BUILDERS ASSOCIATION OF INDIA (REGD.)

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2023-2025

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2023-2025

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Ref. No.: MBAI/E-in-C/ 22 /2026

Dated: 30th April 2026

Engineer-in-Chief's Branch

Kashmir House

Rajaji Marg,

DHQ PO, New Delhi-110011

Subject : ISSUE OF POLICY LETTER REGARDING REDUCTION OF PERIOD OF COMPLETION FOR ESCALATION IN CONTRACTS:-

(I) FROM TWO YEARS TO ONE YEAR

(II) PRESCRIBE STANDARD PRICE VARIATION CLAUSES IN ALL N.I.T CONTRACTS IRRESPECTIVE OF THEIR TIME OF COMPLETION TILL THE STABILIZATION OF MARKET PRICES

(III) ISSUE POLICY FOR PAYING ESCALATION TO ALL ONGOING WORKS

Respected Sir,

1. Kindly refer Policy No. 04/2026 issued by E2 Work (PPC) Sub Dte, Dte of Works of your HQ letter No. A/37696/DRS/POL/E2Works(PPC) dated 19th March 2026.

2. It is respectfully submitted that in MES contracts, the existing provision for escalation is for contracts having period of completion two years or more. However, in CPWD Delhi Schedule of Rates (DSR), the provision for escalation is for all the works having completion period of 12 months or more. CPWD (DSR) have already been adopted in MES for tendering purposes since 01st April 2026.

3. The prevailing geopolitical disturbances and ongoing conflict driven uncertainties have led to unprecedented volatility in the market. Prices of essential construction materials, labour, fuel, and transportation are witnessing steep and frequent fluctuations, thereby rendering the existing policy of escalation on works having period of completion of two years or more is inadequate and commercially impracticable for contractors.

4. In view of the above, it is requested that the period for escalation in MES contracts may kindly be revised from two years to one year, in line with CPWD (DSR) provisions. Such a measure would help maintain financial viability of contracts, ensure fair competition and facilitate smooth execution of works without undue financial strain on contractors.

BRANCHES

AGRA AHMEDABAD ALLAHABAD AMBALA AMRITSAR ANDAMAN/NICOBAR BABINA BANGALORE BARAMULLA BAREILLY BARMER BARODA BARRACKPORE BATHINDA BELGAUM BHOPAL BHUJ BIKANER BINNAGURI CHABUA-MOHANBARI CHANDIGARH CHANDIMANDIR CHANDIPUR CHENNAI COCHIN COIMBATORE DEHRADUN DELHI DINJAN EZHIMALA FERROZEPUR GURDASPUR GUWAHATI GWALIOR GREATER HYDERABAD HISAR HASIMARA JABALPUR JAIPUR JAISALMER JALANDHAR JAMMU JAMNAGAR JHANSI JODHPUR JORHAT KANPUR KARGIL KARWAR KOLKATA KOTA LEH LIKABALI LUCKNOW MATHURA MEERUT MHOW MUMBAI NAGPUR NASIK PANJIM PATHANKOT PATIALA PUNE RANCHI ROORKEE SAUGOR SHILLONG SILCHAR SILIGURI SRINAGAR TENGA TEZPUR UDHAMPUR VASCO VISAKHAPATNAM WELLINGTON YOL



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Imm. Past President

ANIL KAPOOR

(Delhi)
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5. It is further requested that a suitable policy letter may kindly be issued by E-in-C's Branch to all Accepting Officer i.e. GEs/CsW through respective Zonal Chief Engineers permitting incorporation of appropriate escalation provisions in Notice Inviting Tenders (NITs) irrespective of period of completion keeping in view the prevailing conflict driven market conditions for all contracts of completion that is even for six months of period of completion. Please refer CPWD Misal No. 32/4/2024/W1/DG/130(H) dated 21st April 2026, Copy enclosed.

6. It is also requested that in view of rising cost of materials and labour due to unpredictable condition a policy may kindly be issued for granting escalation to all ongoing works.

7. The issuance of such policy guidelines will safeguard ongoing and forthcoming works from delays, disputes and non performance arising out of abnormal price escalation.

8. An early consideration and issuance of necessary policy directions is earnestly requested.

With profound regards.

Yours faithfully,

(G.S. Mago)
President
HQ MES BAI

Copy to :-

DGW
Dte. Of Contract Management
Kashmir House,
Rajaji Marg,
DHQ PO, New Delhi-110011

Jt. DG (Contracts)
Dte. Of Contract Management
Kashmir House,
Rajaji Marg,
DHQ PO, New Delhi-110011

शुनलत सं०: 32/4/2024/MI/DG/130 (H)

भरत सरकर

नलरुण डरुनलदेशरलत

डुनदुरीत लुक नलरुण वलडरुन

ई-डुल: ecpwdcpwd@gmail.com

वलदुत डुवन, नई दललुी

दलनरुंक: 21 अडुरैल, 2026

करुडरुलत डरुडन

वलडुड: Compensation against Price Escalation in CPWD- reg.

As per CPWD Works Manual/ SOP-2024, there is a standard contractual clause in GCC to provide for compensation to the contractors against the market price variation in the price of materials and wages of workers. This price variation clause is generally included in contracts with stipulated period more than 12 months.

2. It is known that many government organizations/ departments follow the provisions of CPWD Manual/ SOPs for their construction works. It has been reported that in the wake of ongoing Middle East situation, there have been inconsistent fluctuations in the prices of some of the construction materials, including bitumen and other petroleum-based products, causing supply disruptions in some construction works. The non-admissibility of price escalation clause (in works with stipulated period less than 12 months) is being cited as one of the reasons impeding the progress of works.

3. In this respect, considering the present sensitive situation, it is clarified that CPWD has no objection if the respective organizations (following CPWD Manuals) prescribe standard price variation clause in their new NITs for the works of even shorter duration also (i.e. for works less than 12 months also). The decision in this respect may be taken by the competent authorities of the respective organizations/ departments, considering the ground situation/nature of work.

4. The applicability of this provision shall be reviewed after 30.09.2026.

This is issued with the approval of DG, CPWD.

करुडरुडरुलतक अडुरलरुतरुत (डरलरुु एवं करुडरुडरुलरुु)-1

डरुललरुुडलरुु:

1. PS to DG, CPWD, Vidyut Bhawan, New Delhi-110001.
2. ADG (Tech.), CPWD, Vidyut Bhawan, New Delhi-110001.
3. All SDGs/ADGs (Through CPWD Website).
4. CPWD Website