

Sir,

### **Gist of CFI Meeting: ED Infra (Civil). Railway Board**

- This is to inform the members that a delegation of CFI representatives led by Mr. B N Sheth, Segment Head B&F(IC), Larsen & Toubro Ltd. had a detailed discussion with **Mr. Achal Khare, Executive Director, Infra (Civil), Railway Board on 18<sup>th</sup> December 2014 at his Office in context of the submissions made earlier by CFI w.r.t. execution of infrastructure projects by the Civil Contractors.** CFI representatives included Mr. Pratap S. Raizada, Vice President (Corporate Affairs), Gammon India Ltd., Mr. B K Arora, General Manager, BD, Afcons Infrastructure Ltd., Mr. Vikas Nagulkar, General Manager (Infra), Gannon Dunkerley & Co. Ltd., Mr. Arun Tripathi, Cluster Project Manager, Larsen & Toubro Ltd and Mr. Subroto Hazra, Project Manager, Larsen & Toubro.
- Apart from a Paper on the genuine problems faced by the infrastructure construction companies in execution of civil projects in EPC mode, a specific note outlining the problem areas encountered in execution of Railway projects by the contractors was also submitted to Mr. Khare. (Copy is attached). The meeting was held in a very positive atmosphere.
- It was informed by Mr. Khare that the Railways are now actively engaged in preparation of model EPC contract document and the exercise was mostly in tune with the work done by the Planning Commission recently in this regard.
- The Railways are gearing themselves to meet the challenges arising from the new developmental paradigms where the new mega projects would be offered, inter-alia, in EPC mode and also involve large scale FDI. In this extent, certain fundamental changes in the policies & procedures under consideration in the larger interests of bringing in efficiency in project management.
- It was also mentioned by Mr. Khare that while the Railway projects mostly offered under the item rate contracts so far, the future projects could be increasingly under EPC route.

### **Specific issues:**

- **One of the most important development proposed was the in-principal agreement that in case of disputes, 75% of the amount shall be released as pre-payment instead of waiting for completion of the entire process of dispute settlement through legal or other stipulated resources.**
- **The concerns expressed by the industry with regard to incorporation of fair Escalation Clause in the contract document has been noted by the Railways and appropriate modifications were under consideration in general accordance with the approach adopted by Planning Commission including a reasonable stance towards price escalation.**

- **The request of industry for incorporating clauses for partial handing over and issuing the completion certificate of projects would be positively considered. Presently, the enormous delay in this account due to minor reasons or factors beyond the control of the latter was resulting in inconvenience and losses.**
- **CFI was assured to submit its recommendations for dealing with problems concerning Final Measurement– Due to limited MB's when one measurement is in process or circulation another cleared bill got stuck and results delay in payment. This is not feasible when contract value is large.**
- **The Federation was also advised to submit specific suggestions with regard to escalation in labour cost etc.**
- **Due weightage would be given to experience of the contractors. The experience of the lead partner will only be considered.**
- **It was suggested by CFI that in view of the severe financial crisis being faced by the infrastructure construction companies, it is likely to take usual recourse to Corporate Debt Restructuring (CDR). As such, restrictions should not be imposed on such firms from participating in the bid process.**
- **CFI was also advised to submit suggestions specifically to resolve the problems of the loss to contractors w.r.t., basically unscheduled cost borrowings like damage to equipment due to mishandling, delay in taking over process etc.**

All in all, the impression was that Railways are keen on resolving the problems faced by the Civil Contractors and are adopting appropriate remedial measures.

Regards,

(Siddharth Singh)  
Secretary General