

**GOVERNMENT OF KARNATAKA**

No.PWD 159 CRM 2009

Karnataka Government Secretariat,  
Vikasa Soudha,  
Bangalore, dated: 30.09.2010.

**C I R C U L A R**

Sub: Guidelines/Instructions for computation of STAR rates – reg.

Ref: (1) Govt.Order No. FD 03 PCL 2008 dated: 21.11.2008.

(2) Chief Engineer, National Highways, Bangalore letter  
No.: CNH/TA-2/AE-8/STAR rates/Clry 2009-10/1134  
dated: 18.6.10.

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- (1) The STAR rates are applicable for Cement, Steel and Bitumen used in the works costing more than Rs.50 lakhs and having period of execution more than 6 months but less than 12 months.
- (2) The STAR rates shall be computed in conformity with the provisions of the para 1(b) of the Government Order cited at ref.(1) above which is reproduced below:

“If the period of execution is more than 6 months but less than or equal to 12 months for work costing more than Rs.50 lakhs, STAR rates in respect of specified materials (cement, steel and bitumen) only shall be payable to the contractor based on the all India average wholesale price index for the said materials. The star rates adjustment shall be as per the increase or decrease in the index as applied to the said materials between the last date for receiving bids and the date of execution as per the approved programme of works submitted by the contractor at the time of execution of agreement which shall mandatorily be a part of the agreement.”

- (3) If the period of execution is less than or equal to 6 months for all works irrespective of the cost of the works, STAR rates shall not be applicable.



- (4) The STAR rates shall not be admissible if the contract period is extended due to lapse on the part of the contractor.
- (5) If the contract period is extended due to no fault of the contractor, the modified programme shall be approved by the Competent Authority and shall become a part of the agreement for which STAR-rates shall be applicable.
- (6) For the purpose of working out price adjustment and STAR rates, the price index issued from time to time by Ministry of Commerce and Industry, Government of India should be adopted.
- (7) The formula for computation of STAR rates for Cement, Steel and Bitumen should be as follows:

$$V_c = S \times \frac{(M - M_c)}{M_c} \times T$$

- Where,  $V_c$  = Adjustment to the Contract Price.
- $S$  = Basic Price of Cement/Steel/Bitumen at the time of last date of receipt of bids (Original or extended)
- $M_c$  = Basic cost index prevailing at the time of last date of receipt of bids. (Original or extended)
- $M$  = Current cost index relevant to the period in which the material is delivered to the site for use.
- $T$  = Actual quantity of material delivered to the site for use.

- (8) The above instructions will not be applicable to the contracts already concluded.



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- (9) The price adjustment shall be calculated as prescribed in Annexure to Government Order No. FD 59 PRO Cell/2004 dtd. 26.11.2004 for all works costing more than 50 lakhs, having period of execution more than 12 months.
- (10) The above instructions shall apply to all procurement entitles as defined in Section 2(d) Chapter I of Karnataka Transparency in Public Procurement Act 1999.
- (11) This circular instructions are issued in concurrence with Finance Department Vide Note No. PWD 587 FC-1/10 dated: 17.9.2010.

( Approved by Secretary  
to Government.)

*M. Deviprasad*  
(M. DEVIPRASAD) .. 30/9/10

Under Secretary to Government,  
Public Works, Ports and Inland Water  
Transport Department (E.A.P).

Price Adjustment Formula: DELETED

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R= Value of work as defined in Clause 40.1 of Conditions of Contract.

Adjustment for labour component:(Not applicable)

Price adjustment for increase or decrease in the cost due to labor shall be paid in accordance with the following formula:

$V_L = 0.85 \times P_L / 100 \times R \times (L_i - L_o) / L_o$  Where,

$V_L$  = Increase or decrease in the cost of work during the quarter under consideration due to changes in rates for local labor;

$L_o$  = The average consumer price index for industrial workers for Centre for the quarter preceding the date of opening of tenders as published by the Labor Bureau, Ministry of Labor, Government of India; (The Index numbers are available in the web site <http://labourbureau.nic.in/indtab.html>)

$L_i$  = The average consumer price index for industrial workers for Centre for the quarter under consideration as published by Labor Bureau, Ministry of Labor, Government of India

$P_L$  = Percentage of labor component of the work

Contractor

Executive Engineer