**Draft note on Prolongation Cost Claim Evaluation**

1. **Executive Summary of Claim**
2. The Contract Price agreed between the Parties, was based on the various conditions of the Contract, Scope of Work and the Schedule for Completion of the Project agreed between the Parties.
3. The Contract document contained promises, representations and warranties about fulfilment of the obligations by the Employer and strict warnings for the Contractor to adhere to the time schedule for completion of the Works. The Contractor had, accordingly, priced the Bid and the agreed Contract Price was based on such consideration, in particular timely fulfilment of all the obligations by the Employer to enable the Contractor to complete the Works within the scheduled time.
4. Contractor, in view of the tight schedule and the warnings by the Employer for adherence to the time schedule, had mobilized the resources and was in full preparedness for execution of the Works, within the allowable time for completion. The resource deployment at the Site is well known to the Employer as informed from time to time.
5. The progress of the Works could not be achieved, primarily due to failure of the Employer to hand over the Site, removal of utilities from the available Work fronts, delay in finalization of the Change of Scope Works, delay in release of the design and various other reasons attributable to the Employer.
6. The time required for completion of the Works, therefore, had increased from foreseen 22 months, as per the Contract, to more than 46 months, as on date. The likely time for completion may exceed more than a year, from the date of this submission, subject to the Employer removing all the remaining hindrances, preventing execution of the Works by the Contractor.
7. Contractor had also incurred the foreseen costs of deployment of manpower, equipment and other resources at the Site, as required and necessary for completion of the whole of the Works as per the schedule.
8. In fact, the plant and equipment deployed at the Site were in excess of that foreseen to be deployed as per the Contract. These additional resources requirement had arisen due to the inability of the Contractor to demobilize the resources from the Site in view of the delay in completion of the Works. Contractor has, therefore, incurred additional costs of plant, equipment, resources, indirect costs and overheads for execution of the Works in the extended duration of the Contract.
9. With the present submission Contractor is presenting evaluation of such additional costs incurred, in the extended duration of the Contract, from 1st September 2023 till June 2025. The Contractor continues to incur such additional costs and shall update the additional costs incurred from time to time. Payment of such extensive amount of additional costs incurred is an essential prerequisite for the Contractor to maintain the current rate of progress of the Works.
10. Heads of Claims under which the claim is evaluated are explained in brief hereafter.
11. **Breakdown of Additional costs incurred during the Extended period of the Contract From 1st September 2023 till June 2025 :**
    1. **Additional Cost of Plant and Equipment**
12. The Extended Project Period required us to retain our plant and equipment on-site for an additional 22 months, as of June 2025. This Claim covers the costs associated with both owned and hired assets. The costs for owned plant account for depreciation, maintenance, and insurance, while the costs for hired equipment are based on the monthly rental charges, actually paid. A full schedule of plant and equipment, along with the corresponding costs, is attached as **Appendix A**.
    1. **Additional Cost of Labour**
13. Due to the prolongation, the Direct labour deployed for execution of the Works, including skilled workers had to be retained at the Site. It may be noted that, availability of skilled labour for execution of the Works was scarce and therefore, the labour cannot be mobilised and demobilised at short notice. In particular, the skilled labour once demobilised, require much more additional time for remobilization. It was, therefore, essential to retain the crucial construction labour at the Site awaiting release of the Work fronts.
14. The continued uncertainty, at the end of the Employer, in informing as to when the Site will be handed over did not allow the Contractor to take required mitigation measures. The Contractor has claimed the additional cost of retention of the key construction labour during the extended period of the Contract under the present claim. A detailed evaluation of this head of the Additional Costs is provided in **Appendix B**.
    1. **Increase in Cost of Materials**
15. The delay in the construction schedule has exposed us to significant increase in cost of procurement of earth and stone aggregates. Procurement of borrow area and extraction of stone is extremely difficult in this region. The extreme difficulties faced by us in extraction of the material, even from the approved borrow areas, is well documented on record. The condition of procurement of these crucial construction material had further exacerbated due to extensive increase in the quantity of earthwork from--- metric ton foreseen as per the Contract to ---metric ton actually required.
16. It is extremely difficult to get approval and permission of the Government Authorities for the borrow areas and even after getting such approvals, the locals do not allow extraction from such areas. The assistance and active involvement of the Employer in this aspect was also not of assistance in mitigating these delay impacts having additional cost consequences.. Evaluation of this claim is covered under **Appendix C**.
    1. **Additional Indirect Costs and Overheads**
17. This Claim covers the costs of maintaining the Project's Site setup and Head Office Overheads for the extended duration. These indirect costs include, but are not limited to, Site Office utilities, security services, site vehicle costs, and insurance premiums. We also claim for a proportionate share of our Head Office Overheads, which were required to manage this prolonged Project. This calculation is detailed in **Appendix D**.
    1. **Additional Financing Costs**
18. The Project delay has resulted in a prolonged tie-up of our capital and delayed recovery of payments, including the profit element. This has necessitated additional financing to cover our operational costs. This Claim is for the interest and financing charges incurred on this delayed cash flow, due to delay in recovery of indirect cost, overheads and profit built into the Contract Price, calculated at a interest rate of . The calculation for these costs is attached in **Appendix E**.
    1. **Loss of Profit Earning**
19. As a direct result of the Project's Prolongation, our resources (including key personnel and equipment) were tied up on this site, preventing us from undertaking new profitable projects. This Claim is for the lost opportunity to earn profit from new business that could have been secured and executed during the extended period, by the site setup held up for additional 24 months beyond the Stipulated Completion Date. The Evaluation of the claim is provided in **Appendix F**.
    1. **Additional Interest payment on delayed recovery of the Advances:**
20. The Advances paid to the Contractor were interest bearing and were foreseen to be recovered within the stipulated Contract period. The Contractor has invested the Advances received for or in connection with execution of the Works under the Contract such as deployment of plant and equipment, Site setup and mobilization of all other resources. The costs incurred for procurement of all such resources mobilised, was to be recovered from the payments to be received through execution of the Works. The Contractor was also to repay the Advances through the payments received for the Works executed. As already noted, due to various reasons not attributable to the Contractor. the value of Work executed under the Contract was only about 19% and correspondingly the recovery of the Advances was also delayed beyond the Stipulated Completion Date. The additional interest that the Contractor has to pay due to delayed recovery of the Advances was not foreseen and provided for in the Contract price and is payable separately. Evaluation of this amount is done in **Appendix…**
    1. **Other Costs**
21. This section outlines any additional, verifiable costs directly resulting from the delay that are not covered in the above categories. This includes expenses such as costs for re-sequencing the works and additional administrative efforts. Supporting documentation for these costs is provided in **Appendix G**.
22. **Conclusion**
23. The Total additional costs and losses suffered due to delays and disruptions caused to the Works, as of June 2025, amounts to INR 451.47 crores. Needless to mention the Contractor continues to incur such time related costs in execution of the Works, which shall be updated end submitted separately in due course. The above amounts shall carry interest at Market Rate from the date such costs are incurred till the data payment of the same. We request your urgent attention in the matter for providing immediate relief to enable us to sustain the rate of progress. We are available for any clarification or detail that may be required in the matter.

**Authorized signatory**

**Copy to: -** (1) ARTL HQ, Ahmedabad.

(2) Office Copy.