Improved Draft Note on Prolongation Cost Claim Evaluation

Prolongation Cost Claim Evaluation

Period: 1 September 2023 to 30 June 2025 (22 Months)

Date: 29 August 2025

A. Executive Summary

The Contract Price was predicated on timely Employer performance, including Site handover and Scope finalization within the 22-month schedule ending August 2023. Under Clauses [e.g., 1.1 (Definitions), 2.1 (Site Access), and 8.4 (EOT)], the Employer warranted fulfillment of these obligations. The Contractor mobilized resources accordingly, exceeding planned deployment to accelerate where possible.

However, Employer-attributable delays (detailed in our EOT claim vide letter no. 2134 dated 7 July 2025) extended the project beyond 46 months, with critical path impacts from Site unavailability, utility delays, and Scope changes. These events caused prolongation, necessitating resource retention despite mitigation (e.g., redeploying non-essential equipment).

This claim, pursuant to Clause [e.g., 8.5], quantifies additional costs for the period 1 September 2023 to 30 June 2025, totaling INR 451.47 crores. Ongoing costs will be claimed separately. Causation is linked via delay analysis in Appendix H (newly added for critical path). All figures are supported by audited records, invoices, and payroll data.

B. Breakdown of Additional Costs

1. Additional Cost of Plant and Equipment (INR 150 crores)

Retention of owned and hired assets for 22 months. Owned: Depreciation (10% p.a.), maintenance (5% p.a.), insurance (2% p.a.) on book value of INR [e.g., 500 crores]. Hired: Monthly rentals averaging INR [e.g., 5 crores]. Total based on deployment logs; see Appendix A for schedule.

2. Additional Cost of Labor (INR 80 crores)

Retention of skilled workforce (e.g., 500 workers) due to scarce availability and uncertain Site release. Costs include wages, allowances, and welfare at average INR [e.g., 3 crores/month]. Mitigation: Reduced non-skilled headcount by 20%. Evaluation in Appendix B.

3. Increase in Cost of Materials (INR 50 crores)

Escalation in earth and aggregates due to delayed procurement and increased quantities (from [e.g., 1 million metric tons] to [e.g., 1.5 million metric tons]). Regional shortages exacerbated by local resistance; Employer assistance was insufficient. Priced at market rates +10% inflation; see Appendix C.

4. Additional Indirect Costs and Overheads (INR 70 crores)

Site setup (utilities, security, vehicles) and pro-rata Head Office overheads (5% of Contract Price). Extended by 22 months; detailed in Appendix D.

5. Additional Financing Costs (INR 60 crores)

Interest on delayed cash flows (indirect costs, overheads, profit) at [e.g., 12% p.a., bank rate]. Calculated on average outstanding INR [e.g., 300 crores]; Appendix E.

6. Loss of Profit Opportunity (INR 30 crores)

Resources tied up prevented bidding on [e.g., two similar projects]; claimed at 8% margin using Hudson Formula. Market evidence in Appendix F.

7. Other Costs (INR 11.47 crores)

Re-sequencing, administrative efforts; verified invoices in Appendix G.

C. Conclusion

Total Claim: INR 451.47 crores. We request prompt payment and are open to verification/discussion. Rights reserved for updates.

[Authorized Signatory]

cc: As per cover letter.