

No. NH-24028/03/2026-H
GOVERNMENT OF INDIA
MINISTRY OF ROAD TRANSPORT & HIGHWAYS
(Highways Section)
Transport Bhawan, 1, Parliament Street, New Delhi- 110001.

Dated 17th June, 2026

To,

1. The Chairman, National Highways Authority of India (NHAI), Dwarka, New Delhi
2. The Director General (Border Roads), Seema Sadak Bhawan, Ring Road, New Delhi- 110010
3. The Managing Director, National Highways & Infrastructure Development Corporation Limited (NHIDCL), Nauroji Nagar, New Delhi - 110029
4. The Principal Secretaries/ Secretaries of all States/ UTs Public Works Department dealing with National Highways
5. The Engineers-in-Chief and Chief Engineers of all States/ UTs Public Works Department dealing with National Highways
6. All Regional Officers of Ministry of Road Transport & Highways

Subject: Cost Escalation Compensation Mechanism for National Highway projects due to significant increase in rates of Bulk POL items - reg.

Reference: (i) Ministry's letter no. NH-24028/03/2026-H dated 01.04.2026
(ii) Ministry's letter no. NH-24028/03/2026-H dated 17.04.2026
(iii) Ministry's letter no. NH-24028/03/2026-H dated 25.04.2026
(iv) Ministry's circular no. NH-24028/03/2026-H dated 05.06.2026

Sir,

Ministry vide circular's referred above has issued guidelines for cost escalation mechanism to mitigate the impact of present global scenario due to West Asia crisis.

2. In continuation of the same, price adjustment mechanism for Petroleum, Oil, and Lubricants (POL) so as to mitigate the impact of the increase in prices of diesel for industrial use (i.e. Bulk Diesel), oil and lubricants affecting highways construction projects under the present global scenario and as a measure of relief to ensure uninterrupted construction and maintenance of National Highway projects, has been considered as follows:

2.1 EPC Projects: - The provisions of Clause 19.10 of the Contract Agreement provides for adjustment of the amounts payable to the Contractor for works in the Interim Payment Certificate (IPC) issued by the Authority's Engineer for the increase or decrease in the index cost of inputs for the Works, by the addition or subtraction of the amounts determined by the formulae prescribed in Clause 19.10 (iv) of the Contract Agreement. The expressions " F_0 " and " F_1 " used in the formulae prescribed under Clause 19.10 (iv) for working out the price adjustment for "fuel and lubricants" shall be read as under:

F_0 = the official bulk price of high-speed diesel (HSD) oil at the nearest refinery of Indian Oil Corporation ("IOC") on the Base Date

F_1 = the official average bulk price of HSD at the nearest refinery of IOC for the month to which the IPC relates.

2.2 PBMC Contracts: - The provisions of Clause 39.4 of the Contract Agreement provide for adjustment of the amounts certified in each payment certificate for periodical maintenance and emergent repair works by applying the respective price adjustment factor to the payment amounts. The indices for fuel under clause 39.4 are to be considered as per the "official bulk price of high-speed diesel (HSD) oil at the nearest refinery of Indian Oil Corporation Ltd." considering it as "actual price of Diesel from Indian Oil Corporation Limited".

2.3 HAM / STMC / Item Rate / Contracts with no price escalation clause: - POL component for the purpose of price adjustment has been assumed @10% in line with EPC contracts.

2.3.1 HAM Concession Agreements:

(a) The price adjustment for POL (V_{POL}) shall be as under:

$$V_{POL} = 0.10 \times R \times (F_1 - F_0) / F_0$$

Where,

R = value of work done except cost of bitumen component at base date

F_0 and F_1 are as defined in para 2.1 above

(b) Price adjustment for items other than bitumen and POL shall be worked out as per formula given in the contract agreement with modification in the value of work done as detailed below:

$$R' = 0.9 \times R$$

Detailed illustration for calculation of price adjustment is annexed.

2.3.2 STMC / Contracts with no price escalation clause: - The price adjustment for POL (V_{POL}) shall be as under:

$$V_{POL} = 0.10 \times R \times (F_1 - F_0) / F_0$$

Where,

R = value of work done except cost of bitumen component at base date

F_0 and F_1 are as defined in para 2.1 above

2.4 In case of Item Rate Contracts with price escalation clause, F_0 and F_1 under clause 47.1 shall be read as defined in para 2.1 above.

2.5 BOT Contracts (Under Construction):- Concessionaire may avail benefit of either price adjustment mechanism for Bitumen & POL beyond the Contract / Concession agreement provisions or Force Majeure clause. However, the price adjustment for POL (V_{POL}) shall be as under:

$$V_{POL} = 0.10 \times R \times (F_1 - F_0) / F_0$$

Where,

R = value of work done except cost of bitumen component at base date

F₀ and F₁ are as defined in para 2.1 above

3. The payment on price adjustment for POL shall only be allowed only on the production of original invoice of purchase at Bulk rates from the nearest Central Public Sector Refinery Undertaking (CPSU).
4. Earlier price adjustment mechanism / Force Majeure clause shall be continued to be operated as per the instructions issued by the Ministry vide circulars dated 01.04.2026, 17.04.2026, 25.04.2026 and 05.06.2026 referred above.
5. This circular shall have effect for works done in the period from 1st May to 30th June and may be extended based on the continuing impact of the global situation.
6. This issues with the concurrence of IFD and approval of Competent Authority.

Yours faithfully,



(Shoba Basil)

Under Secretary to the Government of India

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Copy to:

1. All Technical Officers at MoRTH Headquarters
2. Secretary General, Indian Roads Congress
3. Director, IAHE
4. SE (S&R)
5. NIC - with the request to upload on MoRTH website

Copy for information to:

1. Sr. PPS to Secretary (RT&H)
2. Sr.PPS to DG(RD)&SS
3. Sr. PS to AS&FA
4. PPS to All ADGs

Escalation based on Monthly Bill submitted - HAM Projects			
S. No.	Particulars	Value	Remarks
A	Bid Project Cost (in Rs. Cr.)	1,575.00	
B	Physical Progress (%)	74.62	
C	Physical Progress for previous Payment (%)	70.00	
D	Physical Progress for this payment (%)	4.62	B-C
E	Physical Progress Equivalent to BPC (in Rs. Cr.)	72.77	(D% of A)
E1	Eligible Payment amount for March	29.11	40% of (D × A)
E2	Progress of DBM equivalent to BPC (in Rs. Cr.)	7.25	% as per Schedule G
E3	Progress of BC equivalent to BPC (in Rs. Cr.)	12.62	% as per Schedule G
DBM			
F	Length of DBM in Main carriageway (km)	7.37	
G	Quantity of Bitumen (VG-40 illustrative) required for 1km length of Main carriageway(MT)	73.74	Calculated from Mix Design
H	Length of DBM in Interchange (km)	1.86	
I	Quantity of Bitumen (VG-40) required for 1km length of Interchange(MT)	53.10	Calculated from Mix Design
J	Total Bitumen (VG-40) Used for this Payment (MT)	642.38	(F × G + H × I)
K	Rate of Bitumen (VG-40) in Mar-26 (in Rs. per MT)	52,497.00	Average rate in March excluding GST
L	Rate of Bitumen (VG-40) in Jan-22 (in Rs. per MT)	42,590.00	Rate on Reference Index Date excluding GST
M	Cost Escalation in VG-40 due to hike in rate (in Rs. Cr.)	0.6364	(K - L) × J
M1	Bitumen cost as on Reference Index Date (in Rs. Cr.)	2.7359	J × L
BC			
N	Length of BC in Main carriageway (km)	16.46	
O	Quantity of Bitumen (CRMB-60 illustrative) required for 1km length of Main carriageway(MT)	85.28	Calculated from Mix Design
P	Length of BC in Interchange (km)	0.17	
Q	Quantity of CRMB-60 required for 1km length of Interchange(MT)	61.40	Calculated from Mix Design
R	Total CRMB-60 Used for this Payment (MT)	1,414.15	(N × O + P × Q)
S	Rate of CRMB-60 in Mar-26 (in Rs. per MT)	52,497.00	Average rate in March excluding GST
T	Rate of CRMB-60 in Jan-22 (in Rs. per MT)	44,000.00	Rate on Reference Index Date excluding GST
U	Cost Escalation in CRMB-60 due to hike in rate (in Rs Cr.)	1.2016	(S-T) × R
U1	Cost of CRMB as on Reference Index Date (in Rs. Cr.)	6.22	R × T
V	Total Escalation due to Bitumen (in Rs. Cr.)	1.84	(M + U)
V1	Total cost of Bitumen & CRMB (in Rs. Cr.) as on Reference Index Date	8.96	((M1 + U1)
Price adjustment for items other than bitumen and POL as per WPI and CPI			
W	Physical progress amount except Bitumen	63.81	E - V1
W1	Physical Progress amount to be considered for Price adjustment for items other than bitumen and POL =	57.43	0.9 × W
X	Corresponding amount for escalation calculation	22.97	0.4 × W
Y	Escalation as per WPI and CPI	0.13	as per Article 23 of CA
Z	Escalation amount for items other than bitumen and POL	2.99	Y × X
Z0	Escalation of POL	1.50	Calculated as per para 2.3.1 (a) above
Z1	Total escalation amount	6.33	Z + Z0 + V
Z2	Total bill payment amount	35.44	Z1 + E1