
EVOLUTION OF PRICE ADJUSTMENT IN PUBLIC WORKS: FROM COMPOSITE ANDHRA PRADESH TO THE STATE OF TELANGANA

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ABSTRACT

India's trajectory toward becoming a premier global economy necessitates a robust infrastructure framework; yet, the execution of public works remains tethered to the colonial-era legacy of the Andhra Pradesh Detailed Standard Specifications (APDSS). Building upon the previous research involving the authors regarding Liquidated Damages and Price Escalation (published in the *Indian Journal of Law and Legal Research*, 2025), this study examines the shift from the rigid quiescence of Preliminary Specification 59 toward a modern "G.O. Regime." While the earlier work addressed the State's power to penalise delay, this study investigates the reciprocal mechanism of compensation payable to contractor for inflationary costs.

Through a longitudinal analysis, the research identifies a systemic administrative "silo" effect. It critiques the departure from consultative norms, where individual departments issued inconsistent eligibility thresholds for similarly situated works, thereby creating a dual-track system that challenges the non-arbitrariness standard of Article 14 of the Constitution of India. By synthesising judicial benchmarks from landmark rulings, the paper argues that ad-hoc executive interventions are a sub-optimal substitute for statutory reform. The authors advocate for a unified price-escalation mechanism within the APDSS to ensure fiscal predictability and align state contracting with contemporary constitutional principles.

Audit findings reveal a significant gap in financial oversight. The non-enclosure of price adjustment calculations noted by the Principal Accountant General (Accounts & Entitlements) [PAG(A&E)] aligns with Comptroller & Auditor General of India (CAG) observations on the Kaleshwaram Project regarding post-tender inclusions. These lapses resulted in excess payments and escalations totalling over Rs. 1,950 crore, highlighting the urgent need for stricter contract management and procedural compliance.

Keywords: APDSS; Price adjustment; Article 14; Administrative Fragmentation; PS 59; Contractual Equity; Fiscal; Audit Compliance; Kaleshwaram Project; Transparency.

1. INTRODUCTION

1.1 The Colonial Legacy of the APDSS and the Sovereignty of Specifications

Foundational framework and colonial origins: The Public Works Department (PWD) of the erstwhile Composite Andhra Pradesh, and subsequently the successor States, executes diverse infrastructure projects governed primarily by the Andhra Pradesh Detailed Standard Specifications (APDSS). Derived from the colonial-era Madras Detailed Standard Specifications (MDSS) of 1922, the APDSS was developed under principles of colonial sovereignty rather than modern contractual equity. Although the State was formed in 1956, the APDSS was adopted in 1970 from the MDSS; despite this transition, its core structure remained intact. Following the 2014 Reorganisation, the APDSS remains the operative framework for both Andhra Pradesh and Telangana.

The rigidity of Preliminary Specification 59: Despite its foundational role, several Preliminary Specifications face frequent legal challenges. A primary point of contention is Preliminary Specification 59 (PS 59), which historically barred monetary compensation for departmental delays, limiting relief to mere extensions of time. As seen in *State of Andhra Pradesh v. Associated Engineering Enterprises* (1990), the judiciary has grappled with the rigidity of these specifications when they collide with market volatility and administrative failure.

1.2 The transition from Statutory Silence to the "G.O. Regime."

Modernisation through executive intervention: The evolution of infrastructure complexity necessitated a departure from the "fixed-price" silence of PS 59. This paper analyses the transition toward a modern price adjustment framework through a series of Government Orders (G.O.s). This prefatory analysis explores whether the piecemeal integration of formulas—often varying by department—satisfies the constitutional mandate of non-arbitrariness under Article 14 or merely masks a systemic need for statutory reform within the APDSS itself.

2 RESEARCH FRAMEWORK

2.1 Scope of the Study

The research is delineated to ensure a focused analysis of the administrative and legal mechanisms governing public works in the composite State of Andhra Pradesh and after bifurcation in the State of Telangana.

2.1.1 Sectoral Focus and Implementation of G.O.s

Confined to Public works and the implementation of price adjustment clauses through Government Orders (G.O.s) and Memos in the composite State of Andhra Pradesh and after bifurcation in the State of Telangana.

2.1.2 Jurisdictional Continuity across States

Analyses orders issued in the Composite State of Andhra Pradesh and their subsequent adoption or refinement in Telangana. G. O.s issued by the successor State of Andhra Pradesh are examined only for the purpose of comparison post bifurcation progressive measures in both states.

This study also incorporates empirical observations from the General (CAG) and the PAG (A&E) the state. While the CAG reports provide a high-level assessment of the fiscal strain and systemic failures of the "G.O. Regime", the PAG (A&E)'s observations offer granular insight into departmental-level deviations from the APDSS and the subsequent arbitrary application of price adjustment formulas. These combined perspectives serve as the evidentiary basis for evaluating whether the current framework violates the Rule of Law.

2.1.3 Legal Precedents and Judicial Benchmarks

Utilises judicial pronouncements from the Supreme Court and High Courts as benchmarks for administrative fairness and the Rule of Law.

2.1.4 Substantive Boundaries of the Transition

Focuses on the transition from fixed-price contracts to those incorporating price adjustment mechanisms.

2.2 Objectives of the Study

Constitutional and procedural benchmarks: Objectives include examining adherence to administrative norms (inter-departmental consultation), testing directives against the Article 14 "non-arbitrariness" standard, and investigating the implications of retrospective price adjustments on contractual sanctity.

2.2.1 Procedural Regularity and Administrative Norms

To examine adherence to, or departure from, established norms such as inter-departmental consultation.

2.2.2 Constitutional Validity under Article 14 of the Constitution of India

To test directives against the "non-arbitrariness" standard of Article 14.

2.2.3 Contractual Sanctity and Retrospective Application

To investigate the implications of introducing retrospective price adjustments into settled agreements.

2.2.4 Judicial Benchmarks for Executive Instructions

To synthesise legal principles to test the sustainability of executive instructions.

2.3 Significance of the Study

The study contributes to the "Doctrine of Continuity" by analysing how administrative precedents survive state bifurcation. It provides a longitudinal study of "Rules of Business" compliance and accentuates the fiscal risks of post-award modifications lacking mandatory empirical validation.

2.4 Period of Study

2.4.1 Phase I (1956—2014)

Pre-Bifurcation era tracing the origins of price adjustment in the Composite State of Andhra Pradesh.

2.4.2 Phase II (2014—Present)

Post-Bifurcation era focusing on Telangana's modernisation of contract management.

3. METHODOLOGY

The study utilises a Regulatory Evolution Framework, tracing the policy trajectory from high-level G.O.s to operational Departmental Memos. It explores whether these directives received the imprimatur of the Finance Department.

3.1 Statutory Analysis of Price adjustment Evolution

3.1.1 The Baseline (G.O. Ms. No. 94)

Establishes the foundational price adjustment regime of the unified state, defining original risk-sharing ratios for steel, cement, bitumen and Petroleum, Oil, and Lubricants (POL).

3.1.2 The Post-Bifurcation Financial Reset (G.O. Ms. No. 146)

Analysed as a "Financial Reset" instrument, G.O. Ms. No. 146 (issued on 08 October 2015) cleared liquidity bottlenecks for "spill-over" projects inherited from the composite State of Andhra Pradesh. By acknowledging delays arising from systemic constraints—including land acquisition and statutory clearances—and establishing 01 April 2013 as the temporal threshold for admissibility, this Order represents a qualitative expansion of the "G.O. Regime." It transcended conventional material adjustments to encompass labour, bank guarantee commissions, and insurance premiums, prioritising project viability over the litigious recourse of termination.

3.1.3 Evaluation of the Nodal Mechanism

Analyses the standardisation of procurement under G.O.Ms. No. 01 (Finance) of 2012. This sub-section examines the 2012 mandate that established a "Uniform Procurement Protocol" and declared the Irrigation & Command Area Development (I & CAD) Department as the nodal department, providing the essential baseline for assessing subsequent departmental deviations and the resulting fragmentation of the State's unified procurement policy. By centralising the reform process under a single nodal department, the administration sought to

eliminate departmental silos, making any independent shift—such as the Roads & Buildings (R & B) Department's adoption of MORTH standards—a critical point of legal and procedural departure.

3.1.4 Operational Logic of Price Adjustment

Dedicated to the study of transitional cycles and the 'Star Rate' protocol: The analysis focuses on the transition from annual reconciliations to a quarterly settlement framework introduced by G.O. Ms. No. 15 of 2018. It evaluates the mathematical implementation of the (+/-5%) variation threshold for steel, cement, and bitumen, ensuring that the recovery of inflationary costs tracks actual cash-flow requirements during the execution phase.

3.2 Jurisprudential and Constitutional Scrutiny

Succession and Adaptation of Contracts: This segment addresses the State's sovereign power to issue remedial G.O.s for inherited contracts under the Andhra Pradesh Reorganisation Act, 2014, and the subsequent Adaptation Order, G.O. Ms. No. 45 (Law) of 2016. It evaluates whether the creation of departmental thresholds (e.g., the Rs. 5.00 crore limit) constitutes an intelligible differentia under Article 14 or an arbitrary barrier to equitable relief. Furthermore, it distinguishes between the "rigid silence" of PS 59 and the "G.O. Regime" as a protective measure to prevent the frustration of contracts.

3.3 Critical Evaluation and Accountability

Impact of Departmental Silos and Fiscal Risk: This evaluation critiques the "Dual-Track" system, where core contracts remain anchored in colonial principles while viability depends on ad-hoc executive overlays. It integrates findings from the PAG (A&E) (2021–22) and the CAG Performance Audit (2024), quantifying the fiscal risks of "post-tender" inclusions, specifically the Rs. 1,342.48 crore liability identified in the Kaleshwaram Project. Finally, it contrasts the iterative "patchwork" of Telangana G.O.s against the comprehensive statutory framework of Andhra Pradesh (G.O. Ms. No. 62 of 2021) to determine if codification reduces inter-departmental litigation.

4 LITERATURE SURVEY

The legal validity of executive instructions—comprising Government Orders (G.O.s) and

Circular Memos—is governed by administrative law and constitutional principles. This survey examines the existing legal discourse across four dimensions.

4.1 The Doctrine of Non-arbitrariness and Article 14

The cornerstone of executive action: Article 14 establishes "non-arbitrariness" as the quintessence of the Rule of Law. Scholarship following *E.P. Royappa v. State of Tamil Nadu* emphasises that State action must be predicated on relevant considerations and transparent processes. Executive directives issued without objective departmental study or based solely on private interest group representations risk being characterised as "manifestly arbitrary"—a ground for judicial review reaffirmed in *Shayara Bano v. Union of India*.

4.2 Judicial Scrutiny of the Decision-Making Process

Procedural impropriety vs. merits: Per *Tata Cellular v. Union of India*, while the State possesses the freedom to contract, the underlying process must remain free from procedural impropriety. Academic commentary suggests that "established procedural norms"—specifically inter-departmental consultation with Law and Finance—are essential safeguards rather than mere formalities. Any bypass of this "internal check" system invalidates the exercise of executive power.

4.3 Sanctity of Contracts and Retroactive Policy Shifts

Pacta Sunt Servanda and Unjust Enrichment: The State's power to unilaterally alter contract terms post-award is a contested area of legal literature. *Pacta Sunt Servanda* dictates that rights and liabilities crystallise upon contract execution. Scholars argue that retroactively applying price adjustment clauses to fixed-price agreements without a "Change in Law" provision risks Unjust Enrichment. Under the "Public Trust Doctrine," the State, as a custodian of the public exchequer, cannot dispense financial "largesse" without compelling public interest and empirical justification

4.4 Synthesis of Bilateral Delay Damages and the G.O. Regime

Integrated risk analysis: Building on the previous research involving the authors regarding Liquidated Damages, the literature reveals a "Dual-Risk" environment where the State's departure from its "Rules of Business" creates a vacuum of accountability. While the

earlier study addressed the State's power to recover pre-estimated damages, it highlighted that enforcement is frequently undermined by procedural failures, such as inadequate notice under Section 55 of the Indian Contract Act. This survey bridges that gap: just as LDs are often levied through administrative fiat, price adjustments are increasingly granted through iterative G.O.s that bypass standard departmental specifications. Collectively, these studies suggest the "G.O. Regime" functions as an ad-hoc executive overlay that risks violating constitutional norms of fairness and fiscal transparency.

5 STATUTORY EVALUATIONS OF PRICE ADJUSTMENT INSTRUMENTS

This section analyses the contractual frameworks and judicial precedents governing price adjustment, focusing on the transition from restrictive state specifications to formula-based compensation models within the regional jurisdictions.

5.1 Evolution of Price Adjustment in the Composite State of Andhra Pradesh

When project execution was prolonged due to delays solely attributable to the employer, the remedy was governed by Preliminary Specification (PS) 59 to the APDSS,¹ which provided for extension of time but not monetary relief. This Clause controlled the contract; the contractor was not entitled to any financial compensation during prolongation, regardless of the period or quantity of work executed. This caused severe hardship to the contractors.

Clause 10 (CC) of the Central Public Works Department (CPWD) Contract Conditions contains a structured mechanism for price escalation², providing compensation for inflationary fluctuations in cost of materials and labour during extended period. Operation is conditional upon two factors: (i) the contract must exceed the prescribed period (generally twelve months), and (ii) escalation is computed only for work carried out beyond the agreed period.

The adjustment is linked to government indices, ensuring objectivity. The clause excludes compensation for delays attributable to the contractor, striking a balance between fairness and protection of employer interests. When juxtaposed against PS 59 of the APDSS,³

¹ PADALA RAMA REDDY & PADALA SRINIVASA REDDY, A.P. DETAILED STANDARD SPECIFICATIONS at PS 59 (16th ed. 2022).

² CENT. PUB. WORKS DEPT., GENERAL CONDITIONS OF CONTRACT CL. 10(CC) (2023).

³ APDSS, *supra* note [1].

the contrast is stark. While Clause 10(CC) embodies a predictable, formula-based system at the national level, APDSS retained silence. In Andhra Pradesh, escalation was not contractually recognised but left to discretionary interventions through Government Orders or judicial interpretation. Thus, whereas CPWD contracts contained escalation as an in-built right, contractors in Andhra Pradesh relied on external instruments—executive orders or judicial pronouncements—for relief. This divergence delayed the acceptance of escalation and gave rise to disputes.

In *State of Andhra Pradesh v. M/s Associated Engineering Enterprises*,⁴ the Andhra Pradesh High Court examined PS 59 of the APDSS,⁵ which bars compensation for departmental delays. Since the contractor accepted extensions and completed the work, the Court held compensation was contractually barred.

In *Ch. Ramalinga Reddy v. State of Andhra Pradesh*,⁶ the Supreme Court addressed whether a contractor could recover escalation costs despite the absence of a specific clause in the agreement. The dispute arose from public works contracts where delays were solely attributable to the State. The contractor claimed compensation for increased costs of labour and materials, contending losses flowed from the employer's breach. The arbitral tribunal upheld the claim and awarded escalation.

The Supreme Court affirmed the award, holding that compensation for escalation constitutes a compensable head of claim under Section 73 of the Indian Contract Act, 1872.⁷ The Court reasoned that where delay is solely attributable to the employer, the contractor cannot suffer losses from rising costs merely because the agreement is silent. This decision reinforces the principle that absence of a price-escalation clause does not bar recovery when costs are the direct consequence of employer-caused delay.

The Government of Andhra Pradesh, recognising the need for reform, constituted a Cabinet Sub-Committee through G.O. Ms. No. 938 (R & B) of 2000.⁸ Upon examining recommendations, the Government issued G.O. Ms. No. 8 (R & B) of 2003,⁹ initiating

⁴ *State of Andhra Pradesh v. M/s Associated Engineering Enterprises*, AIR 1990 AP 10 (India).

⁵ APDSS, *supra* note [1].

⁶ *Ch. Ramalinga Reddy v. Superintending Engineer*, (1994) 6 SCC 266 (India).

⁷ Indian Contract Act, 1872, § 73, No. 9 of 1872 (India).

⁸ G.O. Ms. No. 938, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Nov. 29, 2000) (India).

⁹ G.O. Ms. No. 8, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Jan. 8,

procedural reforms. Paragraph 11 provided that price adjustment shall be granted where administered prices are enforced for works estimated at more than Rs. 2.00 crore with completion periods exceeding 18 months. This applies within the original or extended period owing solely to departmental delays, but excludes delays attributable to contractor fault. The Government issued G.O. Ms. No. 94 (I & CAD) of 2003,¹⁰ which established a comprehensive price adjustment framework in Paragraph 16. The text of this provision replicates the criteria found in Paragraph 11 of G.O. Ms. No. 8 (R&B) of 2003,¹¹ ensuring that works exceeding Rs. 2.00 crore with completion periods over 18 months were eligible for relief.

Significantly, the State deliberately adopted the term "price adjustment" within these instruments, diverging from the more popular "price escalation" frequently found in judicial pronouncements and technical literature. This semantic choice signals a shift toward a neutral, formulaic "adjustment" of contract value rather than a mere compensatory response to inflation. By tethering compensation to objective indices, the order provided a structured departure from the "rigid silence" of PS 59 to the APDSS,¹² ensuring the financial equilibrium of large-scale infrastructure projects through transparent, pre-defined formulas.

In compliance with Government Memo No. 5126/R.1/2005, issued by the T, R & B Department, the Committee of Chief Engineers convened on 16.04.2005 to record its Minutes of Meeting regarding the revision of bridge work rates. Paragraph 6 of the said Minutes states:

It is also noted that even for the small bridge works the increase or decrease in the rates of steel, cement, and bitumen has an effect on the rates of respective items. Hence, it is proposed to provide price adjustment clause for works costing more than Rs. 50.00 lakh and more than 6 months of period of construction. Hence it is proposed to include the following in bid documents:

Every quarter the Committee of Chief Engineers of (R & B) Department shall decide the rates of steel, cement, and bitumen depending upon the market rates by collecting appropriate quotations... The percentage of increase/decrease of the rates... will be operated on the agreement rates

2003) (India).

¹⁰ G.O. Ms. No. 94, I & CAD (PW-COD) DEPT., GOVT. OF ANDHRA PRADESH (July 1, 2003) (India).

¹¹ G.O. Ms. No. 8, *supra* note [9].

¹² APDSS, *supra* note [1].

of respected items executed after the date of approval of new rates.

A critical review of the Committee's Minutes of Meeting reveals a lack of substantive deliberation regarding the existing regulatory framework. There is no recorded evidence that the Committee considered the precedents set by prior Government Orders dealing with price adjustment. Furthermore, the record is silent on the empirical basis for two major policy shifts: the reduction of the monetary eligibility threshold from Rs. 2.00 crore to Rs. 50.00 lakh, and the compression of the required period of completion from 18 months to 6 months. This absence of documented reasoning suggests that these revised parameters—which significantly expand the state's fiscal liability—were adopted without the rigorous departmental study typically required for contractual reform.

Acting upon these recommendations, the Government issued Memo No. 5126/R.1(2)/2005-2, Dated: 30-08-2005,¹³ which accepted price adjustment for steel, cement, bitumen, and diesel for all bridge works exceeding the revised thresholds. The Memo prescribed that:

- (1) For Steel and Cement, the price index data provided by the Director of Economics and Statistics shall be applied on a quarterly basis.
- (2) For Bitumen and Diesel, the pricing information from the Indian Oil Corporation (IOC) shall be adopted.

Appositely, this Memo appears to overlook the standing provisions of G.O. Ms. No. 8 (R & B) of 2003,¹⁴ issued by the same department, which governed price adjustment under Paragraph 11. The established criteria under G.O. Ms. No. 8 (R & B) of 2003 were far more stringent,¹⁵ requiring an estimate exceeding Rs. 2.00 crore and a completion period of more than 18 months. The administrative record for Government (R & B) Memo No. 5126 of 2005 contains no stated rationale for such a drastic reduction in the eligibility thresholds.¹⁶ This departure from the parent order, without a documented study or explanation for the increased fiscal exposure to the state, represents a significant gap in the policy-making process:

¹³ MEMO No. 5126/R.1(2)/2005-2, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Aug. 30, 2005) (India).

¹⁴ G.O. Ms. No. 8, *supra* note [9].

¹⁵ *Id.*

¹⁶ GOVT. MEMO No. 5126/R.1/2005, *supra* note [13].

(1) Jurisdictional ambiguity of ad-hoc committees: The delegation of policy-making powers to a departmental committee, as opposed to the BoCE (BoCE), raises questions regarding the procedural validity of the resulting recommendations.

(2) Divergence from G.O. Ms. No. 8 (R & B) of 2003:¹⁷ The compression of completion periods from 18 months to 6 months effectively broadens the scope of price adjustment to include minor works, contrary to the original intent of Paragraph 11 of the parent G.O.

In G.O. Ms. No. 35, (R & B) of 2006,¹⁸ the Government directed the adoption of price adjustments for cement, steel, bitumen, and POL. This applied to all road and bridge works, including RoBs and RuBs, with an estimated value of Rs.50 lakh or more and a schedule of at least six months. Through this order, the Government superseded earlier instructions from Government Memo No. 5126 (R & B) of 2005.¹⁹ Detailed formulas for calculating these adjustments were provided in paragraphs 5 through 8, having secured the concurrence of the Finance Department via U.O. No. 1201/106/Expr.PW/A2/06.

While this G.O. expanded the scope to road works and clarified that "bridges" encompasses both RoBs and RuBs,²⁰ it notably excluded government building projects from its scope. Although the Department executes substantial building contracts involving large-scale consumption of the same materials, these works remained outside the purview of price adjustment. This created an administrative anomaly: road and bridge contractors were insulated from market volatility, while building contractors remained exposed to identical market fluctuations. This selective application highlights a period where the reform's reach was not yet uniform across all engineering sectors within the same department.

Furthermore, while this G.O. lists the eligible components,²¹ it omits a mandated regular periodicity, such as a calendar month or quarter of a year. Instead, the order utilises the flexible phrase, "during the period under consideration due to changes in the rates for the concerned component." This absence of a mandatory schedule provides contractors with

¹⁷ G.O. Ms. No. 8, *supra* note [9].

¹⁸ G.O. Ms. No. 35, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Feb. 28, 2006) (India).

¹⁹ GOVT. MEMO No. 5126/R.1/2005, *supra* note [13].

²⁰ G.O. Ms. No. 35, *supra* note [18].

²¹ *Id.*

procedural latitude; rather than being compelled to file claims immediately, they may voluntarily choose to wait until a favorable rate revision is affected. While this offers flexibility to the contractor, it creates a potential administrative challenge for the Government regarding fiscal predictability.

A further limitation of G.O. Ms. No. 35 (R & B) of 2006 is that it restricts price adjustments to the original agreement period,²² excluding the extended period of the contract. The order remains silent on whether this original period encompasses delays solely attributable to departmental lapses and valid extension on that ground. This stands in marked contrast to G.O. Ms. No. 8 (R & B) of 2003 and G.O. Ms. No. 94 (I & CAD) of 2003,²³ which permitted adjustments for departmental delays. By denying adjustment during a validly extended agreement period, contractors could face significant financial loss though no fault of their own, a situation the Government later sought to rectify through more comprehensive mandates.

The Builders' Association of India, A.P. Centre, on 11 April 2006, made a representation stating that the hike in the prices of steel, cement, and other materials was causing heavy losses, making it impossible to proceed with the works. They requested the Government to issue orders allowing the price difference based on the variation between the estimate rates and monthly market rates, instead of adopting the price Index Formula issued in G.O. Ms. No. 35 (R & B) of 2006 in respect of steel and cement items.²⁴

Based on the circumstances reported by the Engineer-in-Chief (R & B) Administration, the Government, in G.O. Ms. No. 73 (R & B) of 2006,²⁵ accorded permission to adopt the price adjustment clause for steel, cement, bitumen, and POL, for all ongoing and future works, subject to the following conditions:

- (i) Price adjustment shall be both for an increase and a decrease in the prices for the works completed within the original agreement period.
- (ii) In addition, the price adjustment shall be valid for a valid extension given for natural calamities, duly limited to the actual days lost and for portion of work where work is

²² *Id.*

²³ G.O. Ms. No. 8, *supra* note [9]; G.O. Ms. No. 94, *supra* note [10].

²⁴ G.O. Ms. No. 35, *supra* note [18].

²⁵ G.O. Ms. No. 73, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Apr. 24, 2006) (India).

delayed due to land acquisition/shifting of utilities (this shall be limited to actual length affected).

(iii) The price shall be effective for all ongoing works and all future works, for which final bills are not paid and from the date of agreement.

(iv) The variation clauses will be when the variation in rates is more or less than 5% of the rates provided in the technical sanctioned estimate based on which bids are invited or All India Wholesale Price Index as stipulated in the G.O. 2nd read above on the date twenty-eight days prior to closing date of submission of bids, whichever is advantageous to the department.

(v) The price adjustment will be applicable for all ongoing works irrespective of the value of the work and irrespective of agreement period specified in para 2(i) & (ii) above.

(vi) For works taken up under Externally Aided Projects (EAP), the guidelines specified thereon are to be followed.

G.O. Ms. No. 73 (R & B) of 2006 marked a decisive widening of the price adjustment regime originally introduced by G.O. Ms. No. 35 (R & B) of 2006.²⁶ The primary shifts in policy identified under this order include:

(1) Expansion of project eligibility: While the earlier regime confined adjustment to road and bridge works exceeding Rs. 50.00 lakh, the current mandate extends benefits to all ongoing and future works irrespective of contract value.

(2) Temporal compression: The relief is now applicable regardless of the agreement period, removing the previous six-month minimum duration threshold.

(3) Administrative shift: Notably, this order stemmed from the request of a single Engineer-in-Chief rather than the collective BoCE, potentially leading to non-uniformity in contract management.

The Managing Director (MD), Andhra Pradesh Road Development Corporation

²⁶ *Id.*; G.O. Ms. No. 35, *supra* note [18].

(APRDC), requested the Government to extend the price adjustment provisions of G.O. Ms. No. 35 and G.O. Ms. No. 73 to the World Bank-aided Andhra Pradesh Economic Restructuring Project (APREP).²⁷ Consequently, the Government accorded permission vide G.O. Ms. No. 123 (R & B) of 2006,²⁸ to adopt the price adjustment clause for steel, cement, bitumen, and POL for the said works, subject to the following conditions:

- (1) Applicability is restricted to works for which final bills were not paid as on 31-03-2006 and for which a valid extension period was granted (without liquidated damages), contingent upon the contractor's consent.
- (2) No claims shall be processed for works already concluded or for which bills have already been paid.
- (3) The financial liability arising from extending the provisions of G.O. Ms. No. 73 shall be met from the regular budget of the (R & B) Department.²⁹

This G.O. carried the policy progression forward by enlarging the applicability of price adjustment to APREP works, extending the principle beyond conventional departmental contracts to EAP. This reflected a move towards uniformity in contractual administration across diverse funding sources. Notably, the G.O. introduced the term “escalation” in place of “adjustment,” a terminological shift significant for the interpretation of contractual liability.

However, the Government issued this order solely upon the request of the MD, bypassing the recommendations of the BoCE. This continued piecemeal approach, rather than a holistic strategy, resulted in inconsistent implementation periods within the same department. Such procedural shortcuts undermine the objective of a unified contract management framework and lead to fragmented policy application.

The Panchayat Raj and Rural Development (PR & RD) Department issued its first Order on price adjustment vide G.O. Ms. No. 292 (PR & RD) of 2006.³⁰ This G.O. adopted the price adjustment clause for steel, cement, bitumen, and POL for works with an estimated value

²⁷ *Id.*

²⁸ G.O. Ms. No. 123, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (July 6, 2006) (India).

²⁹ G.O. Ms. No. 73, *supra* note [25].

³⁰ G.O. Ms. No. 292, PANCHAYAT RAJ & RURAL DEVELOPMENT (PROGRS. II) DEPT., GOVT. OF ANDHRA PRADESH (July 28, 2006) (India).

exceeding Rs. 50.00 lakh and a stipulated completion period of more than six months. The issuance of this order was a significant administrative milestone, as it sought to resolve the disparities that previously prevailed between different engineering departments operating under the same Government.

However, this G.O. presents a legal inconsistency.³¹ Instead of aligning with G.O. Ms. No. 73 (R & B) of 2006,³² which provided for universal price adjustment, the (PR & RD) Department mirrored the restrictive criteria of G.O. Ms. No. 35 (R & B) of 2006.³³ The rationale for adopting the older, restricted application over the more liberalised scope of G.O. Ms. No. 73 (R & B) of 2006 was neither discussed nor recorded.³⁴ This created a bifurcated system where similarly situated contractors remained bound by rigid thresholds under one department while benefiting from an expansive escalation regime under another for identical work.

The "G.O. Regime" achieved a significant fiscal refinement through G.O. Ms. No. 435 Municipal Administration & Urban Development (MA & UD) Department of August 2006,³⁵ which extended price adjustment to municipal infrastructure. A pivotal feature of this order was anchoring the adjustment mechanism to the Estimate Contract Value (ECV) rather than the gross sanctioned estimate. By specifically utilising the ECV—representing the net value of the work portion net of non-variable components such as lumpsum provisions, contingencies, and work-charged establishment costs—the Government ensured that escalation was only applied to the competitive, execution-based components of the contract. This methodology eliminated the risk of the State paying inflationary premiums on fixed administrative overheads, thereby providing a more rational and transparent basis for financial relief.

The issuance of G.O. Ms. No. 435 was predicated on the formal recommendations of the Commissioner and Director of Municipal Administration, following representations from the Builders' Association of India.³⁶ In its preamble, the Order explicitly cites G.O. Ms. No. 94 (I & CAD) of 2003,³⁷ as the foundational authority. By directly tethering municipal policy

³¹ *Id.*

³² G.O. Ms. No. 73, *supra* note [25].

³³ G.O. Ms. No. 35, *supra* note [18].

³⁴ G.O. Ms. No. 73, *supra* note [25].

³⁵ G. O. Ms. No. 435, MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (A2) DEPT., GOVT. OF ANDHRA PRADESH (Aug. 18, 2006) (India).

³⁶ *Id.*

³⁷ G.O. Ms. No. 94, *supra* note [10].

to this (I & CAD) Department precedent, the MA & UD Department bypassed the need for independent actuarial studies, instead opting for "administrative adoption." This reliance confirming G.O. Ms. No. 94 (I & CAD) of 2003 as the jurisprudential *Grundnorm* of the price adjustment regime in the erstwhile composite state, establishing the benchmarks of a six-month minimum duration and a 5% variation threshold that would eventually permeate all engineering wings.

The Chief Engineer (R & B) Buildings requested the Government to extend price adjustment to all ongoing and future building works. In response, the Government issued G.O. Ms. No. 233 (R & B) of 2006,³⁸ permitting the application of the orders in G.O. Ms. No. 35 (R & B) of 2006 and G.O. Ms. No. 73 (R & B) of 2006 to building projects costing Rs. 50.00 lakh and above with a completion period of at least six months.³⁹ This order extended relief to steel, cement, POL, and all other materials, while explicitly prohibiting tender premium for works where contractors' profit was already included in the estimates.

A distinctive feature of this mandate was the inclusion of "all other materials" beyond standard components. Given the diverse architectural components inherent in building construction, this provision required the material component percentage to be calculated individually for every project estimate prior to the invitation of bids. By adopting this project-specific approach, the Government acknowledged the unique material composition of building works while simultaneously increasing the administrative burden on estimate sanctioning authorities to ensure technical accuracy in bid documents.

Despite this expansion, G.O. Ms. No. 233 (R & B) of 2006 represents a restrictive juncture in state policy.⁴⁰ It reintroduced rigid thresholds from which G.O. Ms. No. 73 (R & B) of 2006 had previously departed.⁴¹ By specifying a closed list of seventeen ongoing and twelve ungrounded works, the Government signalled a restrictive intent designed to limit financial liability. This regression to value and time-based barriers created a disparate regime where building contractors were denied the universal protections granted to similarly situated counterparts in other engineering sectors.

By acting solely on the request of the subject-matter Chief Engineer, the Government

³⁸ G. O. Ms. No. 233, T, R&B (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Nov. 20, 2006) (India).

³⁹ G.O. Ms. No. 35, *supra* note [18]; G.O. Ms. No. 73, *supra* note [25].

⁴⁰ G.O. Ms. No. 233, *supra* note [38].

⁴¹ G.O. Ms. No. 73, *supra* note [25].

continued a piecemeal and compartmentalised approach rather than establishing a holistic, unified policy. While issued under the guise of reform, these measures reflect a fragmented administrative strategy that addressed specific departmental pressures while neglecting broader commercial equity across all public works sectors.

Following the circumstances explained by the Engineer-in-Chief (R & B) Administration & NH, the Government issued G.O. Rt. No. 175 (R & B) of 2007 to clarify the implementation of preceding price adjustment mandates.⁴² This order sought to harmonise the application of G.O. Ms. Nos. 35, 73, and 233 (R & B) across the department's portfolio.⁴³

(1) Scope of temporal application: The clarifications established that price adjustments apply within the original contract period or extensions granted solely due to departmental delays. Conversely, adjustments are expressly barred for extensions arising from contractor default, as envisaged in G.O. Ms. No. 94 (R & B) of 2003.⁴⁴

(2) Applicability to ongoing works: Adjustments apply from the date of agreement for all ongoing works where final bills were not yet settled as of the issuance of G.O. Ms. No. 73 (R & B) of 2006.⁴⁵

(3) Component-based adjustment: Price adjustments apply only to the specific components or items of work actually executed during the relevant billing period.

(4) Departmental reach: The orders encompass all (R & B) Department sectors, specifically roads, bridges, and building works.

(5) Material exclusions: Price adjustment is denied for "All Other Materials" in road and bridge works but remains applicable for all building works pursuant to G.O. Ms. No. 233 of 2006.⁴⁶

Consistent with the "G.O. Regime" of this era, this order was issued based on the unilateral representations of a single Engineer-in-Chief rather than the collective

⁴² G.O. Rt. No. 175, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Feb. 19, 2007) (India).

⁴³ G.O. Ms. No. 35, *supra* note [18]; G.O. Ms. No. 73, *supra* note [25]; G.O. Ms. No. 233, *supra* note [38].

⁴⁴ G.O. Ms. No. 94, *supra* note [10].

⁴⁵ G.O. Ms. No. 73, *supra* note [25].

⁴⁶ G.O. Ms. No. 233, *supra* note [38].

recommendations of the BoCE. By bypassing the BoCE—which comprises leadership from all engineering departments—the administrative process lacked the unified technical scrutiny typical of broader policy reforms. Furthermore, none of the orders issued by the (R & B) Department cited concurrence from the Finance Department. Since these orders impose a protracted fiscal liability upon the State, securing such concurrence is a procedural necessity.

The selective application of price adjustments for “All Other Materials” created a disparate framework; while the benefit was extended to building projects, it was withheld from road and bridge works without a stated administrative or economic rationale, despite both sectors facing comparable market pressures.

The G.O. applied these adjustments retrospectively to ongoing works also where contracts were originally formed under the APDSS.⁴⁷ This represents a significant policy shift. PS 59 of the APDSS explicitly bars monetary compensation for departmental delays,⁴⁸ limiting the contractor’s remedy solely to an “Extension of Time”. By allowing price adjustments on these existing contracts, the Government transitioned toward a compensatory model through ad-hoc interventions rather than systematic amendment of PS 59.⁴⁹

While issuing these Orders, the (R & B) Department did not act upon the recommendations of the BoCE. Had the (R & B) Department acted on the recommendations of the BoCE—in which Chief Engineers from the (PR & RD) Department are members—the (PR & RD) Department would have been apprised of the current technical developments. This oversight prevented the (PR & RD) Department from either adopting G.O. Rt. No. 175 (R & B) of 2007 or issuing departmental orders on similar lines to avoid the resulting disparity.⁵⁰

The (PR & RD) Department issued orders vide G.O. Ms. No. 122 (PR & RD) of 2007 adopting the protocols established in G.O. Ms. No. 73 (R & B) of 2006 for all works,⁵¹ irrespective of cost and agreement period. In essence, G.O. Ms. No. 122 (PR & RD) is identical to G.O. Ms. No. 73 (R & B) of 2006,⁵² with the exception of updated references to earlier Government Orders; accordingly, a repetition of the contents of G.O. Ms. No. 122 (PR & RD)

⁴⁷ APDSS, *supra* note [1].

⁴⁸ *Id.*

⁴⁹ *Id.*

⁵⁰ G.O. Rt. No. 175, *supra* note [42].

⁵¹ G.O. Ms. No. 122, PANCHAYAT RAJ & RURAL DEVELOPMENT (PROGRS. II) DEPT., GOVT. OF ANDHRA PRADESH (July 28, 2007) (India); G.O. Ms. No. 73, *supra* note [25].

⁵² *Id.*

of 2007 is superfluous.⁵³

The Social Welfare (S.W) Department issued G.O. Ms. No. 101 (S.W.) of 2007 providing for price adjustment on steel, cement, bitumen, and POL, irrespective of the contract value or agreement period in Tribal Welfare Engineering wing.⁵⁴ Subsequently, G.O. Ms. No. 124 (S.W.) of 2007 accorded permission for price adjustments on building materials other than steel and cement,⁵⁵ yet introduced a restrictive threshold limiting escalation to works costing Rs. 50.00 lakh and above with a completion period of at least six months in Social Welfare Engineering Wing. This created a sharp inconsistency with G.O. Rt. No. 175 (R & B) of 2007,⁵⁶ wherein (R & B) Department had already dispensed with such monetary and duration stipulations to liberalise the applicability of price adjustment. The (S.W) Department's G.O. Ms. No. 124 (S.W.) of 2007 retained these restrictive conditions without referencing the prior (R & B) dispensation,⁵⁷ leading to unequal treatment of similarly placed contractors and avoidable contractual disputes.

Based on the request of the Vice Chairman and Managing Director of the Andhra Pradesh State Police Housing Corporation Ltd. (APSPHCL), the Government, through G.O. Rt. No. 470 (Home) of 2008,⁵⁸ permitted the implementation of price adjustment provisions as per G.O. Ms. No. 233 (R & B) of 2006.⁵⁹ This mandate applied to both ongoing and future works, notably extending benefits even to contracts that did not originally contain such escalation clauses. This Order marked the first instance of price adjustment provisions being extended to a State Government corporation for all project phases. It signifies that those tender reforms, initially confined to Government departments, had begun to find consistent application across state-owned corporations.

While G.O. Ms. No. 35 (R & B) of 2006 established the procedural bedrock for price adjustments,⁶⁰ G.O. Ms. No. 94 (R & B) of 2008 was issued to specifically supersede the orders

⁵³ G.O. Ms. No. 73, *supra* note [25].

⁵⁴ G.O. Ms. No. 101, SOCIAL WELFARE (T.W. SER. II.2) DEPT., GOVT. OF ANDHRA PRADESH (Oct. 15, 2007) (India).

⁵⁵ G.O. Ms. No. 124, SOCIAL WELFARE (SCP. II.2) DEPT., GOVT. OF ANDHRA PRADESH (Nov. 15, 2007) (India).

⁵⁶ G.O. Rt. No. 175, *supra* note [42].

⁵⁷ G.O. Ms. No. 124 (S.W.), *supra* note [55].

⁵⁸ G.O. Rt. No. 470, HOME (POL. BUD) DEPT., GOVT. OF ANDHRA PRADESH (Mar. 13, 2008) (India).

⁵⁹ G.O. Ms. No. 233, *supra* note [38].

⁶⁰ G.O. Ms. No. 35, *supra* note [18].

concerning the periodicity of price adjustment for steel and cement.⁶¹ The transition moved from the previous index-based formulas to a monthly adjustment based on absolute variation between estimated and current rates prevailing in the month of payment of running or final bill to the contractors.

This new Order mandates that the BoCE meets on the 5th of every month to fix prices for that month, ensuring that adjustments are responsive to market volatility. This change in periodicity ensures that contractors are not forced to wait for extended durations or rely on the 0.85 coefficient, which often failed to reflect real-market absolute variation. The 5% variation threshold remains the trigger for these monthly adjustments.

The revised periodicity applies to all ongoing works where final bills were pending as of the date of this Order. It is critical to note that the monthly adjustment is only permissible within the original contract period or extensions granted for reasons solely attributable to the department, but not caused by contractor default. For EAP, the specific guidelines of those funding agencies continue to take precedence over these domestic periodicities.

The issuance of G.O. Ms. No. 94 (R & B) of 2008 serves as a targeted administrative correction rather than a wholesale policy replacement.⁶² Although the Builders' Association of India, A.P. Centre, submitted its representation on 11 April 2006—immediately after the issuance of G.O. Ms. No. 35 (R & B) of 2006 —⁶³complaining that the existing adjustment frequency and index-based formulas led to heavy losses, the Government took two years to act.

This delay meant that while the principle of price adjustment was technically "on the books" via G.O. Ms. No. 35 (R & B) of 2006,⁶⁴ the practical relief sought by the Association regarding the timing and accuracy of those payments was stalled until 2008. By narrowing the scope of the supersession to the periodicity of payment and the specific calculation of steel and cement variations, the Government maintained the broader PWD contractual framework while addressing the urgent liquidity concerns of the construction industry.

The shift to monthly price fixing by the BoCE represents a move toward a "real-time"

⁶¹ G. O. Ms. No. 94, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Apr. 16, 2008) (India).

⁶² *Id.*

⁶³ G.O. Ms. No. 35, *supra* note [18].

⁶⁴ *Id.*

reimbursement model, acknowledging that in a volatile economy, a two-year lag in administrative processing (as seen between the 2006 representation and the 2008 Order) can be devastating for project solvency.

Following representations, the Government issued G.O. Ms. No. 48 (S.W.) of 2008 as an amendment to expand the scope of materials covered under the price adjustment framework.⁶⁵ The threshold reduced the eligibility limit to works costing Rs. 10.00 lakh and above. This Rs. 10.00 lakh threshold was notably discretionary, as no such monetary limit was applicable in any other department or prior Government Orders. Despite this reduction, the modification was given prospective effect only, and the continued use of an arbitrary monetary floor rendered this Order inconsistent with the broader governmental framework established in G.O. Rt. No. 175 (R & B) of 2007 and G.O. Ms. No. 94 (R & B) of 2008.⁶⁶

The regime attained further technical specificity through G.O. Ms. No. 910 (MA & UD) of 2008,⁶⁷ which introduced a targeted adjustment formula for Ductile Iron (DI) Pipes. Recognising the unique vulnerability of water infrastructure to pig iron volatility, the Government tethered compensation to the metallurgical standards of IS:8329-1994 using a specific consumption coefficient of 0.96. This order effectively shifted the statutory framework toward an empirical, component-based model, ensuring the financial resilience of specialised municipal projects against global raw material surges not captured by general indices.

In view of the representation submitted by the Builders' Association of India to the Government to adopt price adjustment for bitumen and POL on par with steel and cement, the Government issued G.O. Ms. No. 252 (R & B) of 2008 to institutionalise a revised mechanism.⁶⁸ While the Order was issued with the formal concurrence of the Finance Department and specifically extended its mandate to Universities, its procedural history reveals a significant omission. Notably, despite the substantial monetary implications, the Government proceeded solely on the basis of the Association's representation. There is no record of a prior technical recommendation from the BoCE—a step typically central to ensuring fiscal viability.

⁶⁵ G.O. Ms. No. 48, TRIBAL WELFARE (EDN. II) DEPT., GOVT. OF ANDHRA PRADESH (May 12, 2008) (India).

⁶⁶ G.O. Rt. No. 175, *supra* note [42]; G.O. Rt. No. 94, *supra* note [61].

⁶⁷ G.O. MS. NO. 910, MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (A2) DEPT., GOVT. OF ANDHRA PRADESH (June 21, 2008) (India).

⁶⁸ G.O. Ms. No. 252, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Aug. 28, 2008) (India).

The Government, vide G.O. Ms. No. 269 (R & B) of 2008,⁶⁹ amended Para 5 of G.O. Ms. No. 94 (R & B) of 2008,⁷⁰ directing that price adjustments shall apply to all ongoing and future works. This facet extends to all state-contracted works, including Corporations and the Tirumala Tirupati Devasthanam (TTD). While issued with the imprimatur of the Finance Department, the Order's prefatory history is notable for its silence: it references neither a representation from the Builders' Association nor any technical reports from the BoCE.

The retrospective application of G.O. Ms. No. 269 (R & B) of 2008 back to 01 March 2008 accentuates significant administrative challenges.⁷¹ These temporal gaps trammel the Department's ability to recover disbursed funds or security deposits already returned, likely resulting in intractable audit objections. Conversely, where retrospective effect entitles contractors to new recompense, it necessitates unbudgeted financial outlays. The clincher in this administrative critique is the omission of the customary preamble— "After careful consideration..."—which suggests a lack of formal deliberative review. To ensure administrative clarity and a proper suffusion of fiscal discipline throughout the framework, the Order should have been prospective or included specific provisions for intervening payments to mitigate risk.

Prompted by the Builders' Association of India, which highlighted severe losses in electrical, sanitary, and labour sectors; the Government issued G.O. Ms. No. 35 (R & B) of 2009.⁷² This Order institutionalised price adjustments for all miscellaneous items, machinery, and labour based on prevailing Standard Schedule of Rates (SSR). While issued with the concurrence of the Finance Department, its retrospective effect from 01 March 2008 mirrored previous directives, precipitating the same temporal and audit complexities.

Under paragraph 3, the Order established a rigorous four-fold mandate: (i) price adjustments for electrical, sanitary, and labour charges must reconcile estimated rates with prevailing SSR values; (ii) adjustments become effective on 1st June annually or upon the actual SSR release date, whichever is later; (iii) the competent authority must approve rate analyses derived from original estimates; and (iv) non-SSR items are to follow established finalisation

⁶⁹ G. O. Ms. No. 94, *supra* note [61].

⁷⁰ G.O. Ms. No. 269, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Sep. 15, 2008) (India).

⁷¹ *Id.*

⁷² G.O. Ms. No. 35, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Jan. 30, 2009) (India).

procedures.

The clincher regarding its systemic reach is Clause (xi), which mandates applicability to all ongoing and future works. This ensures a complete suffusion of revised rates across state entities, including Universities and the TTD. However, the retrospective nature of the Order—likely driven by the industry's avidity for recompense—accentuates the risk of audit objections as the Department reconciles intervening payments.

Following the issuance of G.O. Ms. No. 269 (R&B) of 2008,⁷³ the Builders' Association of India requested its immediate withdrawal. Upon subsequent consultation, the BoCE opined that the mandate to limit payments to the lowest invoice rate would trammel the Department with significant legal and audit complications. Consequently, the Government withdrew the contested Order vide G.O. Ms. No. 47 (R & B) of 2009.⁷⁴

It is pertinent to note that G.O. Ms. No. 269 (R & B) of 2008 was initially issued without the prior technical counsel of the BoCE—⁷⁵a procedural lapse that necessitated its eventual rescission. This sequence accentuates the necessity for the Government to engage in formal deliberative processes with technical authorities before the issuance of such mandates to prevent subsequent administrative reversals.

Based on the representation of the Builders' Association of India, the Government, vide G.O. Ms. No. 81 (R & B) of 2009,⁷⁶ clarified that price adjustments apply to all steel items for which the BoCE communicates monthly review rates. To ensure a thorough permeation of technical standards, the Government mandated that unit weights for each steel item be explicitly specified in all estimates and agreements. This requirement ensures that standardised weights permeate every level of the contract, preventing localised discrepancies in measurement. Because price adjustments are fixed on a weight basis, all quantities recorded in Measurement Books (MBs) must be converted using the standard units published by the Board.

Regarding the technical treatment of fabrication variables, the Order established the

⁷³ G.O. Ms. No. 269, *supra* note [70].

⁷⁴ G.O. Ms. No. 47, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Feb. 04, 2009) (India).

⁷⁵ G.O. Ms. No. 269, *supra* note [70].

⁷⁶ G.O. Ms. No. 81, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Feb. 25, 2009) (India).

following mandates under Paragraph 3:

- (1) The quantity for overlaps and wastages shall be added to the quantity of steel recorded in the Measurement Books for the purpose of price adjustment.
- (2) Such quantities for overlaps and wastages must be limited to those specified in the data of the sanctioned estimate.

This facet of the G.O.⁷⁷ is critical because it tethers the Price adjustment to the original engineering design, thereby preventing the inflation of claims through excessive wastage reports during the execution phase.

The operational implementation within the (R & B) Department was refined through Govt. Memo No. 1985/R&B/2010,⁷⁸ which provided the procedural mechanics for the 2003 policy. This Memo mandated that for road and bridge works exceeding Rs. 50.00 lakh, the work value coefficient "R" used in adjustment formulas must strictly exclude non-variable overheads such as Seigniorage charges and VAT. By synchronising departmental billing with the monthly rates of the BoCE, the Memo ensured administrative precision and prevented the distortion of adjustment claims by statutory levies.

Historically, administrative frameworks suffered from the piecemeal issuance of (G.O.s) by individual departments, often circumventing mandatory institutional oversight. Specifically, the BoCE was frequently excluded from consultations, and instruments were promulgated devoid of the requisite concurrence of the Finance Department or the legal scrutiny of the Law Department, despite the overarching governance of the Indian Contract Act, 1872.⁷⁹

This fragmented approach inappropriately extended price adjustment mechanisms to existing agreements which lacked such provisions, particularly during the original agreement period. These instruments were executed between sophisticated entities who had already priced in market risks. Critically, these G.O.s failed to address or amend PS 59 of APDSS,⁸⁰ which expressly prohibited monetary compensation, thereby creating a direct legal conflict between

⁷⁷ *Id.*

⁷⁸ Govt. Memo No. 1985, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF ANDHRA PRADESH (Aug. 27, 2010) (India).

⁷⁹ Indian Contract Act, *supra* note [7].

⁸⁰ APDSS, *supra* note [1].

executive orders and settled contractual terms.

To address the systemic inefficiency and legal volatility of departmental silos, a high-level deliberative process chaired by the Chief Secretary culminated in G.O. Ms. No. 1 (Finance) of 2012.⁸¹ This order sought to harmonise disparate practices and standardise engineering protocols across the State.

G.O. Ms. No. 1 designated the (I & CAD) Department as the Nodal Department.⁸² It is empowered to exercise authority over cross-cutting issues, such as price adjustments, and is mandated to issue unified orders for all engineering wings following formal consultation with the Finance Department.

The procedural reach of the adjustment regime was extended to rural infrastructure through G.O. Ms. No. 23, (PR & RD) of 2014.⁸³ This instrument lowered the eligibility threshold to works valued at Rs. 40.00 lakh with a six-month duration, a significant departure from the more restrictive 2003 irrigation criteria. Notably, the Order explicitly included Petroleum, Oil, and Lubricants (POL) and labour within its compensatory framework. By mandating a 5% variation trigger, the State ensured that even smaller-scale rural projects maintained financial equilibrium against the volatility of fuel and material costs, effectively consolidating the formulaic "G.O. Regime" across all engineering departments prior to the State's reorganisation.

Andhra Pradesh pioneered tender reforms to institutionalise equitable risk-sharing, ensuring contractors were not unfairly burdened by uncontrollable inflationary trends. These reforms sought to align state public works frameworks with national and international contracting standards.

While foundational, these reforms initially followed sectoral trajectories, leading to inconsistent eligibility thresholds across various wings. This patchwork reflected the necessity for the current unified strategy to consolidate these pioneering efforts into a single, cohesive administrative framework.

⁸¹ G.O. Ms. No. 1, FINANCE (WORKS & PROJECTS-F7) DEPT., GOVT. OF ANDHRA PRADESH (Feb. 25, 2012) (India).

⁸² *Id.*

⁸³ G.O. Ms. No. 23, PANCHAYAT RAJ & RURAL DEVELOPMENT (PROGS. II) DEPT., GOVT. OF ANDHRA PRADESH (Feb. 11, 2014).

The Composite State of Andhra Pradesh was bifurcated into the successor State of Andhra Pradesh and the State of Telangana on 02 June 2014, pursuant to the Andhra Pradesh Reorganisation Act, 2014, No. 6, Acts of Parliament, 2014 (India).⁸⁴ This geopolitical transition necessitated a robust legal framework to govern ongoing infrastructure projects that originated under the unified administration but were to be executed and funded by the newly formed State of Telangana.

5.2 Evolution of Price adjustment in the State of Telangana

The administrative landscape for tender reforms in the State was anchored by G.O. Ms. No. 1 (Finance) of 2012.⁸⁵ This order was the culmination of high-level deliberations chaired by the Chief Secretary to standardise procurement across all engineering departments. Crucially, G.O. Ms. No. 1 (Finance) of 2012 designated the Irrigation & CAD Department as the "Nodal Department" for all tender reforms. This mandate required that any subsequent alterations to bidding documents or price adjustment protocols by other departments—such as (R & B)—be channelled through this central authority to maintain a "Uniform Procurement Protocol."

Despite the standing instructions of 2012, the Transport, Roads & Buildings (R & B) Department issued G.O. Ms. No. 3 (R & B) of 2015,⁸⁶ independently adopting the Ministry of Road Transport and Highways (MORTH) Standard Bidding Documents (SBD) for all road and bridge works. By acting without the requisite concurrence of the designated Nodal Department (I & CAD) Department , the (R & B) Department fragmented the state's unified procurement policy. This notification introduced specific eligibility barriers, namely a monetary threshold of Rs. 5.00 crore for SBD applicability and a temporal threshold of 12 months for price adjustment. Notably, G.O. Ms. No. 3 (R & B) of 2015 created a preferential exemption for bitumen, allowing price variation irrespective of these limits,⁸⁷ thereby introducing internal inconsistencies within the departmental framework.

The unilateral issuance of G.O. Ms. No. 3 (R & B) of 2015 defeated the core objective

⁸⁴ Andhra Pradesh Reorganisation Act, 2014, No. 6, Acts of Parliament, 2014 (India).

⁸⁵ G.O. Ms.No.1, *supra* note [82].

⁸⁶ G.O. Ms. No. 3, TRANSPORT, ROADS & BUILDINGS (R.1) DEPT., GOVT. OF TELANGANA (Feb. 5, 2015) (India).

⁸⁷ *Id.*

of the 2012 reforms—⁸⁸the elimination of departmental "silos." By setting arbitrary thresholds without nodal oversight, the administration created a legal environment where contractors are treated disparately based on the contracting department rather than market volatility. Such treatment, lacking an *intelligible differentia*, raises significant concerns regarding compliance with Article 14 of the Constitution of India.⁸⁹ This inaugural deviation by G.O. Ms. No. 3 (R & B) of 2015 paved the way for subsequent departmental orders,⁹⁰ further complicating the state's contractual landscape.

The State's administrative architecture was further decentralised when the Government issued G.O. Ms. No. 34 (R & B) of 2015.⁹¹ This Order acted as a technical supplement to G.O. Ms. No. 3 (R & B) of 2015,⁹² codifying specific mathematical formulas for price variation in steel and cement. It is categorically irregular that the (R & B) Department continued to issue these directives in direct violation of the spirit of G.O. Ms. No. 1 (Finance) of 2012.⁹³ Given that the 2012 mandate was the product of high-level deliberations chaired by the Chief Secretary—the highest bureaucratic authority in the State—the R&B Department's independent path undermined the very hierarchy intended to enforce a "Uniform Procurement Protocol."

Rather than minimising complexity, the issuance of G.O. Ms. No. 3 (R & B) of 2015 and G.O. Ms. No. 34 (R & B) of 2015 exacerbated it by creating a multi-tiered regulatory framework.⁹⁴ This fragmentation manifested in two distinct dimensions. First, it created a rift between engineering departments, where the Irrigation & CAD Department, Panchayat Raj Department, and Municipal Administration & Urban Development Department remained bound by the 2012 nodal standards, while the (R & B) Department operated under the MORTH SBD. Second, it introduced an internal schism within the (R & B) Department itself: roads and bridge works exceeding Rs. 5.00 crore benefited from price adjustment formulas made applicable in these G.O.s,⁹⁵ whereas smaller projects and building works below this threshold

⁸⁸ *Id.*

⁸⁹ INDIA CONST. art. 14.

⁹⁰ G.O. Ms. No. 3, *supra* note [87].

⁹¹ G.O. Ms. No. 34, TRANSPORT, ROADS & BUILDINGS (R.I) DEPT., GOVT. OF TELANGANA (May 14, 2015) (India).

⁹² G.O. Ms. No. 3, *supra* note [87].

⁹³ *Id.*

⁹⁴ G.O. Ms. No. 3, *supra* note [87]; G.O. Ms. No. 3, *supra* note [92].

⁹⁵ *Id.*

were denied similar relief.

The resulting contractual environment replaced a unified state policy with a patchwork of departmental silos. By setting arbitrary monetary and temporal thresholds without nodal oversight, the administration ignored the reality that market volatility for essential commodities like steel and cement affects all engineering departments equally. The disregard for the Chief Secretary's 2012 directive led to a situation where the availability of price adjustment depended more on departmental affiliation than on the economic merit of the contract, thereby complicating the State's legal apparatus and raising significant concerns regarding equitable treatment.

The procedural vacuum created by departmental deviations was eventually addressed through a comprehensive policy intervention designed to stabilise the State's engineering sector. Recognising the existential threat to infrastructure development, the Nodal Department sought to reconcile the disparate procurement standards by issuing G.O. Ms. No. 146 (I& CAD) of 2015.⁹⁶ This instrument marked a pivotal intervention by the Government of Telangana in regularising price adjustment for inherited contracts from the composite State of Andhra Pradesh.

Issued post-bifurcation, the Order addresses the Spill-over projects of the composite State, acknowledging that delays were largely attributable to systemic institutional constraints—specifically impediments in land acquisition, statutory clearances, and design revisions. By fixing 01 April 2013 as the cut-off date for escalation admissibility, the State of Telangana established a temporal boundary to financial relief, specifically targeting work execution hindered by the transitional period. Crucially, the Order stipulates that for works where the delay is not attributable to the contractor, the price adjustment shall be calculated based on the rates prevailing during the period of actual execution.

The Order represents a qualitative expansion of the "G.O. Regime" by moving beyond conventional components like steel and cement. It expressly recognised labour and other material components, bank guarantee commissions, and insurance premiums as admissible for reimbursement, alongside specialised provisions for electro-mechanical works and foreign exchange variations. This transition from a limited to a comprehensive price adjustment

⁹⁶ G.O. Ms. No. 146, I & CAD (REFORMS) DEPT., GOVT. OF TELANGANA (Oct. 8, 2015) (India).

framework signifies a conscious policy shift: prioritising the economic viability of ongoing works over the traditional, and often litigious, route of termination and re-tendering.

Critically, G.O. Ms. No. 146 was the product of a high-level consultative process, involving Cabinet Sub-Committees and expert evaluations.⁹⁷ It serves as the foundational precedent for the State's current contract management philosophy, effectively replacing the rigid silence of PS 59 to APDSS with a structured, albeit ad-hoc, executive mechanism designed to preserve contractual continuity in the face of unprecedented fiscal volatility.⁹⁸ This mechanism ensures that the administrative architecture remains responsive to market realities while maintaining the procedural integrity of the State's procurement policy.

The transition of price adjustment mechanism from the composite State of Andhra Pradesh to the State of Telangana was formalised through a strategic legal adaptation. While substantive formulas for price adjustment were rooted in the G.O.s issued before the bifurcation of the composite State of Andhra Pradesh, its continued validity in the nascent State of Telangana was secured vide G.O. Ms. No. 45 (Law) of 2016.⁹⁹ This "Adaptation Order" effectively bridged the jurisdictional lacuna created by the 2014 bifurcation, mandating that all existing contractual and administrative orders—including those governing price adjustment for components allowed in earlier G.O.s—remain in force. Consequently, the price adjustment regime in Telangana is not a *de novo* creation but a legally adopted continuation of the composite state's framework, updated to reflect the new territorial jurisdiction.

While G.O. Ms. No. 146 succeeded in broadening the scope of compensable components,¹⁰⁰ it retained an inherently slow administrative cycle, as the price adjustment was calculated strictly on an annual basis. This yearly reconciliation created a significant liquidity gap for contractors who were forced to bear the month-to-month volatility of material costs without immediate relief. Recognising that the "Annual Average" method delayed the flow of capital, the Government sought a more agile operational model to sustain the momentum of major and medium irrigation projects.

The Government of Telangana, through the (I & CAD) Department, issued G.O. Ms.

⁹⁷ *Id.*

⁹⁸ APDSS, *supra* note [1].

⁹⁹ G.O. Ms. No. 45, LAW (F) DEPT., GOVT. OF TELANGANA (June 1, 2016) (India).

¹⁰⁰ *Id.*

No. 15 to ameliorate the financial lag inherent in the prior annual adjustment system.¹⁰¹ The Order explicitly mandates that for all engineering works, the price adjustment shall be calculated on a quarterly basis (January—March, April—June, July—September, and October—December) instead of the previous annual basis. This administrative shift ensures that the recovery of inflationary costs more closely tracks the contractor's actual cash-flow requirements during the execution phase.

The G.O. establishes a "Star Rate" protocol for steel, cement, and bitumen, contingent upon a market variation threshold. The core operative methodology is replicated as follows:

The price adjustment shall be applicable for both increase and decrease in the prices of materials. No price adjustment shall be applicable if the variation is within (+/-) 5%. The adjustment is payable/recoverable only for the variation beyond (+/-) 5%.

For "Spill-over" works (contracts formed in the composite State of Andhra Pradesh), the G.O. maintains the 1 April 2013 benchmark. It stipulates that for these projects, the "Basic Rate" for the 5% threshold calculation shall be the rates prevailing on 1 April 2013. This prevents the retroactive dilution of the relief established by G.O. Ms. No. 146 while granting these older contracts the benefit of the more frequent quarterly payout cycle.¹⁰²

The introduction of the Goods and Services Tax (GST) necessitated a "neutralisation" of contract rates to prevent distorted escalation claims. G.O. Ms. No. 67 of (I & CAD) of 2018 mandates that for pre-GST contracts, subsumed taxes (VAT, Excise, etc.) must be deducted from the original estimate rates to arrive at a "net" base price.¹⁰³ This ensures the 5% price adjustment threshold under G.O. Ms. No. 15 is applied strictly to market-driven volatility rather than statutory tax shifts, with the prevailing GST rate subsequently added to the final adjusted amount.

In the wake of unprecedented market fluctuations following the global pandemic, the Government issued G.O. Ms. No. 20 (I & CAD) of 2021 to further stabilise the financial viability of irrigation projects.¹⁰⁴ This Order reinforces the "Star Rate" mechanism by

¹⁰¹ G.O. Ms. No. 15, I & CAD (REFORMS) DEPT., GOVT. OF TELANGANA (March 19, 2018) (India).

¹⁰² G.O. Ms. No. 146, *supra* note [97].

¹⁰³ G.O. Ms. No. 67, I & CAD (REFORMS) DEPT., GOVT. OF TELANGANA (Aug. 16, 2018) (India).

¹⁰⁴ G.O. Ms. No. 20, I & CAD (REFORMS) DEPT., GOVT. OF TELANGANA (July 6, 2021) (India).

mandating that price adjustments for steel and cement be calculated using the rates fixed by the BoCE on a quarterly basis. The methodology explicitly integrates the 5% variation threshold to ensure that only significant market shifts trigger fiscal adjustments.

Thus, the G.O. Ms. No. 20 provides a specific protocol for determining the payable or recoverable amounts based on the quarterly fluctuations.¹⁰⁵ The core operative methodology is replicated as follows:

The price adjustment shall be applicable for the work components executed during the quarter, by taking the difference between the Star Rate of the material at the time of tender and the Star Rate prevailing during the quarter of execution, provided the variation is beyond (+/-) 5%.

A critical feature of G.O. Ms. No. 20 is the centralisation of rate-fixing.¹⁰⁶ By designating the BoCE as the sole authority for determining Star Rates, the Government eliminated localised discrepancies in price adjustment claims. This administrative shift ensured a uniform application of the 5% rule across all engineering departments, effectively reducing the potential for contractual disputes during the reconciliation of bill payments.

In response to the GST Council's revision of tax rates for works contracts from 12% to 18%, the Government issued G.O. Ms. No. 46 (I & CAD) of 2022,¹⁰⁷ to ensure the continued neutralisation of statutory tax shifts. This order mandates that while the price adjustment methodology under G.O. Ms. No. 15 remains unchanged,¹⁰⁸ the revised 18% tax shall be applied to the final adjusted value, ensuring the 5% market variation threshold is not distorted by the increased tax liability.

Following the bifurcation of the composite State, the successor Government of Andhra Pradesh identified the need for a singular, comprehensive framework to replace the fragmented regime of departmental circulars. Consequently, through G.O. Ms. No. 62 (Water Resources) of 2021, the State suppressed all prior discordant orders and established a uniform price adjustment policy applicable to all engineering departments for works exceeding Rs. 40.00

¹⁰⁵ *Id.*

¹⁰⁶ *Id.*

¹⁰⁷ G.O. Ms. No. 46, I & CAD (REFORMS) DEPT., GOVT. OF TELANGANA (June 17, 2022) (India).

¹⁰⁸ G.O. Ms. No. 15, *supra* note [102].

lakh.¹⁰⁹ The adjustment is calculated by utilising a strict (+/-) 5% variation formula based on the monthly rates approved by the BoCE (BoCE). This ensures that the G.O. Ms. No. 62 (Water Resources) of 2021 is implemented with mathematical precision across all departments.

The Andhra Pradesh model of centralised codification stands in stark contrast to the iterative evolution observed in Telangana. A similar adoption of a comprehensive, multi-departmental Order in Telangana would likely mitigate the persistent issues of non-uniformity, misinterpretation of star rates, and the subsequent audit objections raised by the PAG (A&E) in the *Annual Review Report on the Working of PAOs (Public Works and Forest Divisions) for the Year 2021–22*, has noted that price adjustment calculations are not enclosed along with accounts.¹¹⁰

The CAG, in the *Performance Audit Report on Kaleshwaram Project*, has noted as follows:¹¹¹

Post-tender inclusion of a price adjustment clause in five agreements resulted in an avoidable payment of price escalation of Rs. 1,342.48 crore. There were also other cases of inflated rates, undue benefits, and excess payments to contractors, totaling Rs. 612.51 crore.

The evolution of price adjustment in Telangana is defined by a transition from a 2012 mandate for nodal standardisation to an iterative, quarterly "Star Rate" system designed to preserve the liquidity of major irrigation projects. Although G.O. Ms. No. 1 (Finance) of 2012 established the Irrigation & CAD Department as the nodal department,¹¹² the subsequent emergence of departmental silos—most notably the independent adoption of MORTH standards by the Roads & Buildings Department—fragmented the State's unified procurement policy. This decentralisation created a multi-tiered regulatory environment where price adjustment eligibility often depended on departmental affiliation rather than market volatility, raising significant concerns regarding compliance with the equality mandates of Article 14 of

¹⁰⁹ G.O. Ms. No. 62, WATER RESOURCES (REFORMS) DEPT., GOVT. OF ANDHRA PRADESH (NOV. 30, 2021) (India).

¹¹⁰ OFFICE OF THE PRINCIPAL ACCOUNTANT GEN. (A&E), TELANGANA, ANNUAL REVIEW REPORT ON THE WORKING OF PAOS (PUBLIC WORKS AND FOREST DIVISIONS) FOR THE YEAR 2021–22, at 11 (2023).

¹¹¹ COMPTROLLER & AUDITOR GEN. OF INDIA, PERFORMANCE AUDIT REPORT ON KALESHWARAM PROJECT, GOVT. OF TELANGANA, at xiii (2024).

¹¹² G.O. Ms. No. 1, *supra* note [82].

the Constitution of India.¹¹³

While post-bifurcation interventions such as G.O. Ms. No. 146 of 2015¹¹⁴ and G.O.Ms. No. 15 of 2018¹¹⁵ successfully modernised the administrative cycle and addressed GST neutralisation, the regime remains a "patchwork" of executive orders. The contrast with the comprehensive codification seen in Andhra Pradesh suggests that Telangana's reliance on iterative G.O.s, rather than a singular statutory code, has left major projects like the Kaleshwaram Project vulnerable to the "post-tender" inclusions and avoidable escalations highlighted in the Performance Audit Reports.

6 JURIDICAL SYNTHESIS AND CONCLUDING REMARKS

6.1 Hierarchical Framework of Evaluated Materials

The research is anchored in Article 14 of the Constitution, the Indian Contract Act, 1872, and relevant judicial pronouncements. Technical evaluation centers on the APDSS and its parent, the MDSS.

The findings are predicated upon thirty-eight (38) primary instruments—comprising thirty-three (33) Government Orders and five (5) Memos/Circulars—issued across seven (7) distinct administrative departments. These range from G.O. Ms. No. 938 (R & B) of 2000 to G.O.Ms. No. 46 (I & CAD) of 2022.

6.2 Terminology and Nomenclature: Price Adjustment versus Price Escalation

Departmental use of "price adjustment" deviates from the term "price escalation" used in courts and academic literature. Technically, price escalation means only a rise in prices, whereas price adjustment implies an increase in rates above initial rates in which case the contractor gets paid, and a reduction in rates below initial rates, in which case the Government recovers the difference from the contractor. In a way, the term used by the Composite State of Andhra Pradesh and, after bifurcation, the State of Telangana, is more appropriate than "price escalation" used in judicial pronouncements and technical literature.

¹¹³ INDIA CONST. art. 14.

¹¹⁴ G.O. Ms. No. 146, *supra* note [108].

¹¹⁵ G.O. Ms. No. 15, *supra* note [109].

6.3 Industry Advocacy and Administrative Responsiveness

The Builders' Association of India (Andhra Pradesh Centre) demonstrated notable avidity in pursuing relief at the levels of the Chief Engineers, the BoCE, and the Government. These administrative tiers responded with constructive and progressive measures, issuing orders to mitigate the economic challenges faced by contractors.

6.4 Procedural Divergence and Administrative Challenges in the G.O. Regime

The issuance of G.O.s marks a progressive policy shift, demonstrating the State's constructive responsiveness to industry advocacy by the Builders' Association of India. While this flexibility ensured project continuity, the resulting "G.O. Regime" suffered from acute procedural fragmentation. Despite being the largest stakeholder, the (I & CAD) Department's standards were often superseded by (R & B) Department orders, frequently issued on the recommendation of a single Chief Engineer rather than the collective expertise of BoCE.

This decentralised approach bypassed the mandatory concurrence of the Finance Department, leading to inconsistent components, formulas, and coefficients across various wings within the same department. Furthermore, the retroactive application of price adjustments to "silent" contracts stands in direct tension with the "Doctrine of Sophisticated Entities," which mandates that plain contractual wording should prevail between commercially aware parties.

The systematic exclusion of the Law Department and the non-submission of calculations to the PAG (A&E) have since precipitated significant audit objections from both the CAG and the PAG (A&E). Ultimately, these procedural lapses threaten to undermine the remedial intent of the entire executive intervention.

6.5 Policy Recommendations for a Unified Regulatory Framework

To resolve the procedural fragmentation identified in this study, it is recommended that all existing Government Orders and Memos governing price adjustment be superseded by a single, consolidated G.O. issued by the designated Nodal Department (I & CAD). As the Nodal Department designated under G.O. Ms. No. 1 (Finance) of 2012, the (I & CAD) Department should lead this standardisation based on the collective recommendations of the BoCE. To preserve the sanctity of the "Doctrine of Sophisticated Entities," this comprehensive G.O.

should apply prospectively, ensuring that existing contractual obligations are not retrospectively altered. Tender documents shall be standardised, incorporating General Conditions of Contract (GCC) applicable across all departments, complemented by Special Conditions of Contract (SCC) for project-specific requirements. However, tender documents for EAP shall remain as mandated by the respective funding agency. Furthermore, the implementation of this unified G.O. should not be immediate. A sufficient and reasonable time lag is essential to allow for the robust training of administrative authorities and the technical update of relevant software systems.

6.6 Institutional Realignment of the Price Adjustment Mechanism

To rectify current administrative irregularities, the responsibility for price adjustment calculations must be reassigned from Section Officer (AEEs/AEs) to the Deputy Executive Engineer (DEE). As the designated Personal Assistant (P.A.) to the Executive Engineer in the Division Office, the DEE possesses the requisite experience to navigate the intricacies of G.O. nomenclature. This realignment is a procedural necessity under Paragraph 306 of the Andhra Pradesh Public Works Account Code,¹¹⁶ which mandates that the Abstract Bill be prepared by the DEE. The current practice of Section Officers preparing these bills without explicit authorisation violates the legal maxim *delegatus non potest delegare* (a delegate cannot further delegate).

To ensure systemic uniformity and eliminate human error, a dedicated software solution should be developed in consultation with the Centre for Good Governance (CGG) or the State I.T. Department. This software must ingest data directly from the Measurement Books (MBs)—specifically the quantities of components utilised during the relevant billing period—to generate automated calculations. To maintain the integrity of the "G.O. Regime," this software must be mandatorily updated following any modification to the price adjustment framework, ensuring that executive intent is accurately translated into fiscal disbursement.

6.7 Strengthening Fiscal Oversight and Concurrent Audit Mechanisms

To enhance fiscal discipline, the Pay & Accounts Officer (PAO) must serve as a robust primary filter before the disbursement of funds. It is mandated that the PAO ensures all bills are accompanied by granular price adjustment calculations, subjected to independent scrutiny

¹¹⁶ ANDHRA PRADESH PUBLIC WORKS ACCOUNT CODE ¶ 14 (Padala Rama Reddy ed., 2016).

for both mathematical precision and legal applicability under the prevailing G.O. framework. These verified calculations must subsequently be submitted alongside the monthly accounts to the PAG (A&E).

To move away from the *ex-post facto* annual inspection model, a concurrent oversight mechanism is essential. Should the PAG (A&E) identify discrepancies during the compilation of accounts, the office shall proceed by notifying the concerned Executive Engineer and PAO for mandatory rectification. This authoritative notification ensures that inconsistencies are resolved prior to the payment of the next bill, rather than remaining dormant until the annual inspection of the Division Office by the PAG. staff.

Ultimately, this real-time feedback loop between the PAG (A&E)'s office and the divisional authorities protect the public exchequer from cumulative errors. By enforcing accountability at the point of disbursement, the State harmonises its remedial intent with strict financial standardisation.

6.8 Financial Integrity and Non-Divertibility of Estimates

To ensure the fiscal viability of the price adjustment mechanism, a Lumpsum provision must be incorporated within the detailed project estimate under a distinct and dedicated sub-head. This provision is intended to function as a standalone financial reserve, specifically earmarked to meet price adjustment obligations.

To maintain the integrity of the project budget, this allocation must be strictly non-divertible. Under no circumstances should these funds be utilised to cover deficits or expenditures in other sub-heads. In the event of a budgetary surplus within this sub-head, the unutilised price adjustment amount shall be treated strictly as a saving to the exchequer, ensuring that the State's commercial responsiveness remains balanced against rigorous fiscal discipline.

6.9 Strategic Capacity Building through Institutional Partnerships

To bridge the gap between policy intent and technical execution, the State should partner with premier institutions such as the Institute of Engineers (India), Hyderabad Chapter, the National Academy of Construction, and Dr. MCR HRD Institute. These institutions offer the requisite infrastructure and a highly qualified faculty capable of training the officials

responsible for the preparation and disbursement of price adjustments.

The Institute of Engineers, in particular, possesses a substantial pool of retired, highly experienced senior members whose technical expertise can be gainfully utilised. By leveraging these institutional resources to provide training—complete with practical illustrations and mathematical models—the Government can ensure that its administrative staff is equipped to handle the complexities of price adjustment with professional precision and reduced risk of audit failure.

6.10 Beyond Price Adjustment: A Holistic Framework for Project Success

While price adjustment is a critical instrument of commercial equity, it is merely one component of effective contract management. The timely completion of infrastructure projects, immunised from cost overruns and protracted litigation, depends on a multi-faceted operational framework. Beyond fiscal adjustments, the following factors are paramount:

- (1) The prompt and predictable payment of running account bills;
- (2) The handover of project sites free from encroachments, utilities, and environmental encumbrances;
- (3) The expedited procurement of all mandatory statutory clearances;
- (4) The synchronous communication of approved designs and technical specifications;
and
- (5) A streamlined decision-making process that ensures prompt approvals for materials, workmanship, methodology, design mixes etc.

By integrating these operational efficiencies with a robust price adjustment regime, the State can foster a collaborative environment that ensures the successful delivery of public works, thereby safeguarding both the public exchequer and the interests of the construction industry.

7 CONCLUSIONS

The evolution of the price adjustment mechanism in the composite State of Andhra

Pradesh and after bifurcation in the State of Telangana represents a significant stride toward administrative responsiveness in a volatile economy. However, as this study has demonstrated, the efficacy of such a "G.O. Regime" is inextricably linked to procedural discipline and institutional standardisation. By centralising authority within a Nodal Department, realigning fiscal oversight with the PAG (A&E), and embracing technological precision through dedicated software, the State can resolve existing fragmentations.

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