



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

F<sub>0</sub> and F<sub>1</sub> 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 1<sup>st</sup> May to 30<sup>th</sup> 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

<b>Escalation based on Monthly Bill submitted - HAM Projects</b>			
<b>S. No.</b>	<b>Particulars</b>	<b>Value</b>	<b>Remarks</b>
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	<b>Physical Progress Equivalent to BPC (in Rs. Cr.)</b>	72.77	(D% of A)
E1	<b>Eligible Payment amount for March</b>	<b>29.11</b>	<b>40% of (D × A)</b>
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
<b>DBM</b>			
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	<b>Cost Escalation in VG-40 due to hike in rate (in Rs. Cr.)</b>	<b>0.6364</b>	<b>(K - L) × J</b>
M1	Bitumen cost as on Reference Index Date (in Rs. Cr.)	2.7359	J × L
<b>BC</b>			
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	<b>Total Escalation due to Bitumen (in Rs. Cr.)</b>	<b>1.84</b>	<b>(M + U)</b>
V1	Total cost of Bitumen & CRMB (in Rs. Cr.) as on Reference Index Date	8.96	((M1 + U1)
<b>Price adjustment for items other than bitumen and POL as per WPI and CPI</b>			
W	Physical progress amount except Bitumen	63.81	E - V1
W1	<b>Physical Progress amount to be considered for Price adjustment for items other than bitumen and POL =</b>	<b>57.43</b>	<b>0.9 × W</b>
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	<b>Escalation amount for items other than bitumen and POL</b>	<b>2.99</b>	<b>Y × X</b>
Z0	<b>Escalation of POL</b>	<b>1.50</b>	Calculated as per para 2.3.1 (a) above
Z1	<b>Total escalation amount</b>	<b>6.33</b>	<b>Z + Z0 + V</b>
Z2	<b>Total bill payment amount</b>	<b>35.44</b>	<b>Z1 + E1</b>

Ref.: 325/J/2026-27 dated 16<sup>th</sup> June, 2026

**Shri Nitin Jairam Gadkari Ji**  
**Hon'ble Minister of Road Transport & Highways (RT & H),**  
Ministry of Road Transport & Highways,  
Room No.501, Transport Bhawan,  
1, Parliament Street,  
New Delhi – 110 001

**Subject: Variation of Diesel price and its non-availability – Reg.**

Respected Sir,

**Builders' Association of India (BAI)** is an apex all India body of Engineering Construction Contractors and Builders, founded in 1941, it has more than 25,000 business entities as members through its 264 plus Centres (Branches) throughout the country. Regional, Associations Affiliated to BAI form indirect membership of more than 2,00,000 members. The fundamental aim of the Association is to bring about all round improvements in the construction sector, while striving towards resolution of operational as well as policy level problems faced by the Construction Industry. This involves making efforts to obtain from policy makers and authorities, the level of attention that the construction industry deserves in view of its tremendous contribution and importance to the economy.

Our members are engaged in various infrastructure development projects, constructions of residential / commercial complexes, public utility buildings and executing various Central Government's and State Government's works of Housing complexes, offices, Roads, water supply, sewerage and all infrastructure works across the country. Most of these contractors are registered in Government / Semi Government Departments such as NHAI, CPWD, MES, State PWDs, State Housing Boards, Local Self Governments, Railways, etc. etc.

It is to bring to your kind consideration that the price of diesel is varying abnormally **due to the conflict and subsequent volatile situation in West Asia Region. As the consequence of the conflict, the Strait of Hormuz was closed which disrupted the supply chain all over the globe including India. The price variation is unpredictable and the same was hiked fourth time in less than two weeks. The diesel price has been increased from Rs. 98.12 to Rs. 105.99 per liter.**

As the majority of the petroleum products are being imported from West Asia Region, the supply of the petroleum products is adversely affected and now the refineries are not in a position to meet the demand of the infrastructure industry. Further, fluctuations in crude oil prices, transportation constraints and disruption in import/export movements have resulted in delayed procurement and reduced availability of diesel from the authorized suppliers/refineries.

Diesel shortages and surging fuel costs are directly stalling and escalating the costs of road construction projects. Driven by global crude market fluctuations and West Asia tensions, the crunch has severely limited the machinery operations which in turn significantly stalling the project delivery timelines.

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**In addition to the above, The Ministry of Petroleum and Natural Gas has released press notification regarding "Motor Spirit and High-Speed Diesel (Temporary Regulation of Supply through Retail Outlets) Order, 2026" for a period up to 90 days.**

*Pursuant to this order, now the Central Government have issued directions to Public Sector Oil Marketing Companies, namely Indian Oil Corporation Limited, Bharat Petroleum Corporation Limited and Hindustan Petroleum Corporation Limited to ensure the following:*

- *Retail outlets will dispense diesel only into vehicle tanks or PESO approved containers, with a maximum limit of 200 litres per day per customer/vehicle. Diesel purchased at retail outlets cannot be resold.*
- *Industrial and direct or Institutional and commercial customers are prohibited from procuring fuel from retail outlets and must source their requirements through consumer pumps.*
- *Oil Marketing Companies (OMCs) and Retail Outlet Dealers will be responsible for ensuring compliance with the prescribed restrictions and preventing any attempts to circumvent the provisions of the Order.*
- *State governments and Union Territory administrations have been directed to take necessary actions against any malpractices, such as black marketing or unauthorized diversion, to ensure the interests of the common man are protected.*

Due to the above circumstances, execution of works in the ongoing road projects is adversely affected. The situation and its cause and effect are beyond the control of the executing agency/contractor and may lead to delay in progress of works as the fuel is the main driving source for operation of machinery. The shortage of diesel is also affecting the logistics of the construction material which is impacting timely delivery of the required material at site.

**Further, MoRTH vide its Circular No. NH-24028/03/2026-H dated 25.04.2026, has notified cost escalation compensation/mechanism for NH projects due to significant increase in bitumen prices.** Though, these relaxations have some positive impact on the ongoing works in the project, there is a significant variation in the prices of the materials, especially HSD during this course of month itself and by mere considering the price as on the first day of month prior to the IPC month makes the Contractor still suffer considerably as the price gradient is not considered for the month during which work is executed. As the diesel prices in India have cumulatively surged by over Rs 7.87 per litre in recent weeks following four consecutive price hikes, it can be seen that the difference of the prices or indices is considerably vast, and the impact can be mitigated only when average of prices/average of indices is considered for the month during which work is executed. We request you to recommend the relaxation on increase in bitumen as issued from the above circular to be implemented for the purpose of calculation of price adjustment of diesel also.

**In view of the above, we humbly request that necessary administrative consideration may kindly be extended while reviewing work progress, execution timelines and related contractual obligations until the market conditions and supply situation becomes stable and return to normalcy.** This is submitted for your kind consideration and necessary action.

**In this regard, a small delegation from BAI would like to meet with you to discuss this matter in detail. We would be grateful if, you could kindly consider our request and grant an appointment at any time and date of your convenience.**

Thanking you,

Yours faithfully



**RAVINDRA TYAGI  
PRESIDENT  
BUILDERS' ASSOCIATION OF INDIA**