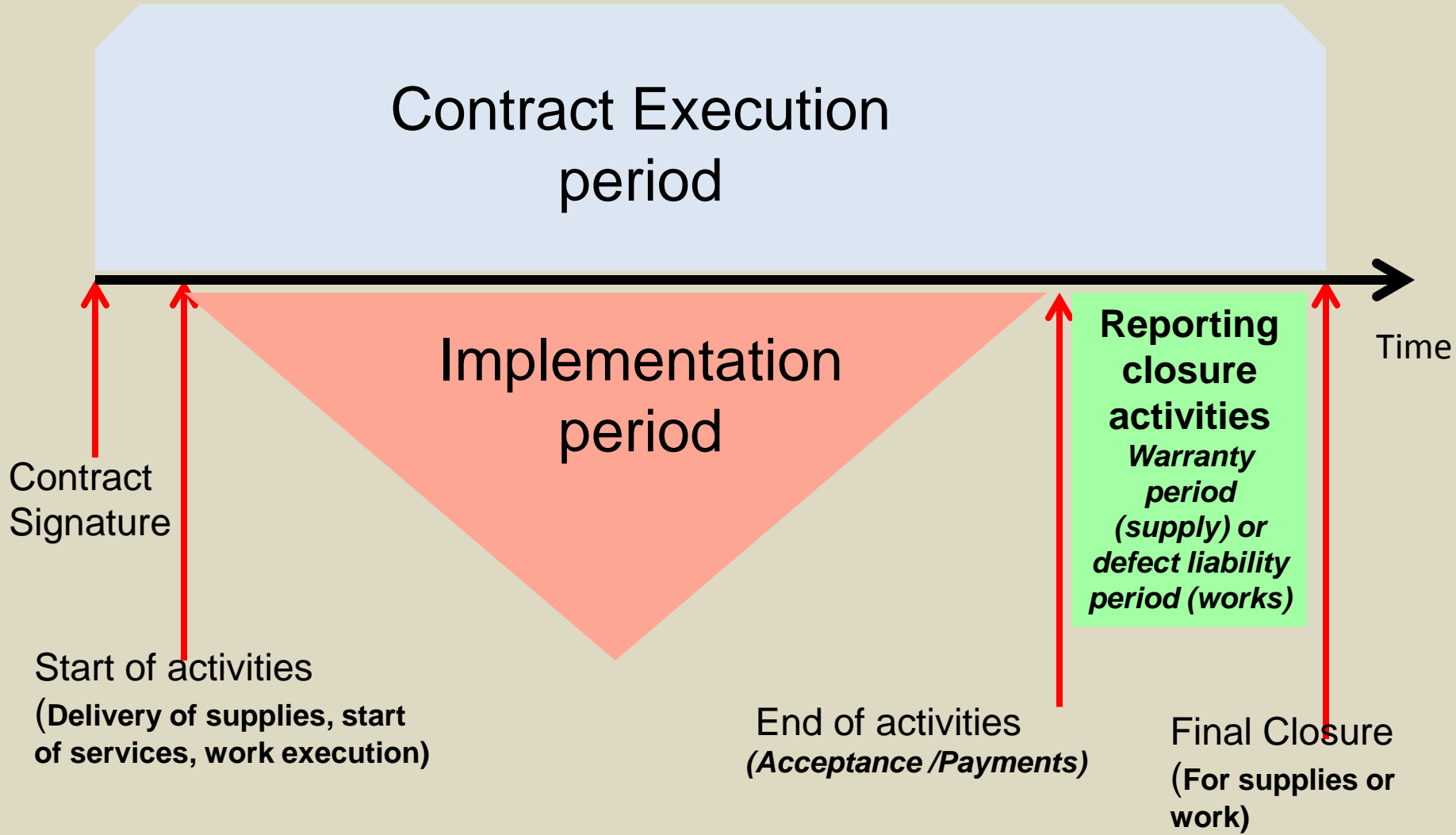


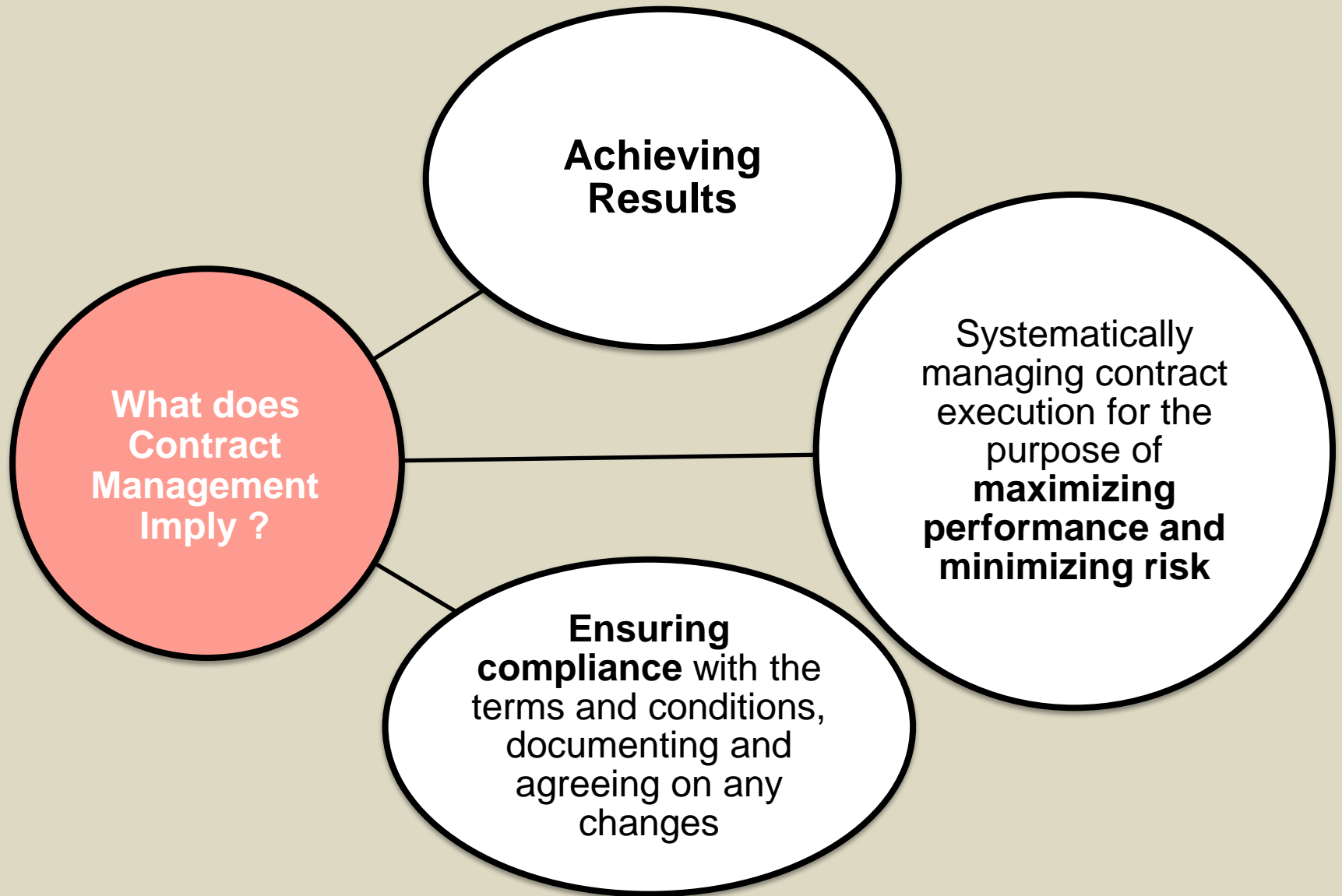
Contract Termination / Renewal Decisions

Life of a contract



Contract Risks

- Risk of Misunderstanding
- Risk of Non-Payment
- Risk of Quality
- Risk of Non-performance
- Risk of Delayed delivery
- Risk of Transit Loss
- Risk of Forex (in international contracts)



Contract Review Mechanism

- Milestone to be fixed for successful completion
- Quality standard to be achieved
- Timeline for completion of identified project activities
- Cost break up, financial progress
- Advance action for various approvals – Designs, Drawings, Samples, Prototypes, Inspections
- Submission of periodic progress report

Review Techniques

- Project Site inspections
- Techno-Commercial audit
- Periodical meetings
- Review of CPM
- Mid-Term review
- Circulation of minutes & action taken report
- Customers satisfaction / feedback report

Non-Monitoring/Poor Monitoring

Quantitative factors

- Time over runs
- Cost over runs
- Debt restructuring
- Revenue losses

Qualitative factors

- Public inconvenience
- Public goodwill / image
- Project creditability

Precautions

- Mechanism for Documentation
- Accuracy of Documentation
- Timely Stage inspections
- Consultation with Technical experts
- Safe custody of all important documents / files
- Periodic transfer of project team members
- Consultation of legal experts

Contract Termination

Implication –

“ End of legal relationship and discontinuance of legal obligation under the contract “

Conditions precedent to termination of contract

- Mutual consent
- Material breach of condition under the contract
- Insolvency
- Change in control

Termination Activities

- Opportunity to cure
- Issue of notice of termination
- Notices as provided for in terms of contract
- Formal closure letter
- Forfeiture of deposits
- Execution of balance contract at risk and cost of the defaulting contractor,
- Recoveries or payment of dues

Contract Renewal / Contract Extension

Determinants

- Evaluation of suppliers performance
- Contracted price Vs market price
- Presence of competitors in the market
- Legal Provision in the contract
- Pre-estimated Damages (LD) in the contract
- Reasons for need to extend the contract

Thank you