

रक्षा लेखा महानियंत्रक

उलन बटार मार्ग, पालम, दिल्ली छावनी-110010

(आई.एफ.ए. विंग)

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संख्या आई.एफ.ए./65

दिनांक 12/8/2014

सेवा में

सहाय प्र. वि. 25 / 15 वि. 25

विषय - वित्तीय सलाह मामले।

Sub - Financial Advice Cases

वित्तीय सलाह संबंधी परिपत्र सं.-03 - वर्ष 2014-15 का दिनांक 12.8.2014 सूचना एवं मार्गदर्शन हेतु प्रेषित किया जाता है।

Financial Advice Circular No.-03 of 2014-15 dated 12.8.2014 is forwarded herewith for information and guidance please.

(चित्र 2)

ले.अ. (आई.एफ.ए. विंग)

प्रतिलिपि

1. संयुक्त सचिव एवं अपर वित्तीय सलाहकार(एस.), रक्षा मंत्रालय(वित्त), नई दिल्ली
2. संयुक्त सचिव एवं अपर वित्तीय सलाहकार(वी.पी.), रक्षा मंत्रालय(वित्त), नई दिल्ली
3. रक्षा लेखा संयुक्त महानियंत्रक (ले.प.-I)
4. रक्षा लेखा संयुक्त महानियंत्रक (ले.प.-II)
5. रक्षा लेखा संयुक्त महानियंत्रक (प्रशिक्षण)
6. रक्षा लेखा संयुक्त महानियंत्रक (ले.प. समन्वय)
7. रक्षा लेखा व. उप महानियंत्रक (ईडीपी)-कृपया परिपत्र वेबसाइट पर डलवाने का कष्ट करें।
S IFA homepage.

(चित्र 2)

ले.अ. (आई.एफ.ए. विंग)

CONTROLLER GENERAL OF DEFENCE ACCOUNTS

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Dated 12/8/2014

Subject:- Financial Advice Cases.

The financial advice cases as submitted by IFA (BR) New Delhi, IFA (R&D), Delhi, IFA (SWAC) Gandhinagar, IFA (SAC) Trivandrum, IFA (SNC) Kochi, IFA (ENC) Visakhapatnam, IFA (R&D) Bengaluru, IFA (Coast Guard), Delhi, IFA (NC), Udhampur & IFA (MAP) Delhi, are circulated herewith for information and guidance may be circulated.

1. Construction /Improvement of Road Daporijo-Nacho from Km 0.00 to Km 20. IFA (BR)

IFA (BR) received an AE for Construction/Improvement of Road Daporijo-Nacho from Km 0.00 to Km 20.00 from existing CI-9 to National Highway Double Lane (NHDL) under project 'Arunank' for an amount of Rs 10007.43 lacs. The responsibility for its construction and maintenance is entrusted to 23 BRTF. The scope of work of the related AE entailed is as below:-

1. Formation Work:- Rough excavation in hard rock, soft rock, soil mixed boulder, jungle clearance, disposal of excavated earth etc.
2. Permanent Work:- Excavation in trenches, plain cement concrete in foundation or elsewhere. Reinforced cement concrete M-20, centering shuttering (Steel), laying reinforcement, filling of stones, warning sign boards etc.
3. Surfacing Work:- Preparation of sub grade in soft rock, hard rock, soil mix boulder, GSB, WMM, BM, SDBC etc.

IFA examined the proposal and observed following deficiencies:-

1. The cost of the estimate was found to be high. In order to reduce the cost of work, IFA advised that feasibility of using centre shuttering plates more than 10 times may be worked out.
2. The muck disposal had been considered for 100% quantities. It was viewed that the full quantity cannot be retrieved for disposal and the same may be reduced accordingly. Also, muck was planned to be disposed off at 8.95 kms without placing on record the location of the authorized muck disposal points as allotted by the forest/revenue authorities. Further, IFA advised that if the approval of the forest/revenue authorities is not required in the case, then the same may be disposed off at some closer locations and the disposal points may be identified and calculations may be amended accordingly.

3. The lead taken for transporting ready mix of WMM and BM was found to be incorrect. IFA advised that the same can be taken as 3.00 km for Hot Mix Plant and 0.60 km for Wet Mix Macadam plant.

The advice rendered by IFA was agreed to and accordingly, AE was redrawn and concurred for Rs 8600.97 lacs against initial amount of Rs 10007.43 lacs. Hence, saving to the tune of Rs 1406.49 lacs was achieved.

2. Construction/Improvement of Road Sela-Chabrella-BJG from Km 0.00 to Km 15.800 Km, IFA (BR)

IFA (BR) received an AE for Construction/Improvement of Road Sela-Chabrella-BJG from Km 0.00 to Km 15.800 Km under the Project 'Vartak' for an amount of Rs 7227.84 lacs. The scope of work of the related AE entailed is as below:-

1. Formation Work:- Rough excavation in hard rock, soft rock, soil mixed boulder, jungle clearance, earth work in embankment, disposal of excavated earth etc.
2. Permanent Work:- Excavation in trenches, plain cement concrete in foundation or elsewhere, reinforced cement concrete M-20, centering shuttering (Steel), laying reinforcement, filling of stones, warning sign boards etc.
3. Surfacing Work:- Preparation of sub grade in soft rock, hard rock, soil mix boulder, GSB, WMM, DBM, AC etc.

IFA examined the proposal and observed following deficiencies:-

1. It is seen that the cost of the subject estimate was found to be higher than per Km cost as indicated in the BRDB letter dated 29.7.2011. IFA advised that the quantities of SMB,SR, HR etc may be reviewed without compromising on the required specification by duly convened BOO as the CI-5 specification road exists on the proposed road stretch and quantities could be identified more accurately. Also the comments of ADGBR on the recommendations of BOO may also be recorded on the case file for further processing.
2. Rate of Steel Centring shuttering had been proposed to be used 10 times, since, the shuttering plates are made up of steel and feasibility to use it 25-30 times may be explored to bring down the cost of work and saving to the state.
3. Quantities of permanent work may also be rechecked and explore the feasibility of reduction, if any.
4. Huge quantum of retrieved stone was available from hard rock cutting, possibility of transporting it to nearby works and credit of the same catered in the estimate may be explored to bring down the cost of the subject work.

The advice rendered by IFA was agreed to and accordingly, AE was redrawn and concurred for Rs 6861.59 lacs against initial amount of Rs 7227.84 lacs. Hence, saving to the tune of Rs 366.25 lacs was achieved.

3. Project Proposal under the Grant in aid project of ER&IPR. IFA (R&D), Delhi

IFA (R&D) received a proposal for the sanction of Grant in aid project of ER&IPR at an estimated cost of Rs 844.40 lakhs with a PDC of 5 years. IFA examined the case and advised to ER&IPR Dte to review the following:-

1. Provisions for travel related expenses contingencies, workshops, visiting faculty in view of the economy guidelines.
2. The requirement for desktops and printers (46) proposed to be procured under the project may be rationalized ensuring optimal utilization of the existing resources. Similarly, the project involved the purchase of 10 numbers of laptops which was not in consonance with MoD(F) letter on observance of austerity measures.
3. The overhead expenses were required to be restricted to 10% of the salary staff as per the guidelines issued by ER&IPR.
4. As per the documents placed on file, it was planned to hold 02 workshops per year with an estimated cost of Rs 04 lakhs per workshop. As such total number of workshops will be 10 during entire project period and the estimated cost of these workshops works out to be Rs 40 lakhs whereas the estimate projected is Rs 12 lakhs per year i.e., Rs 60 lakhs for 5 years.
5. On account of travel expenses estimate is Rs 29 lakhs per year i.e., Rs 145 lakhs for 5 years. The basis of projection of the travel cost is not clear. The estimation appeared to be in higher side and needed elucidation.

Accordingly, the requirement of laptops was dropped and expenditure on travel contingencies workshops were reviewed. The budget of the proposal has been revised to Rs 801.40 lakhs. As a result, saving of Rs 43 lakhs was achieved.

4. Proposal for procurement of Gym/Physical fitness equipment at Air Force Station, IFA (SWAC)

IFA (SWAC) received a proposal for procurement of Gym/Physical fitness equipment at Air Force Station, Jamnagar from HQrs SWAC for AON concurrence at an estimated cost of Rs 57.27 lakhs.

IFA examined the proposal and Command was requested to detail down the basis for working out the quantity with reference to existing holding and actual requirement based on the visitors in the Gym. IFA also advised to review the requirement of 24 station Multi Gym as other units under SWAC AOR were procuring $\frac{3}{4}$ station multi gym and IFA felt that $\frac{3}{4}$ station multi gym would be sufficient to fulfil the requirement of the unit and the unit authorities were also asked to put up a visitors list on dally basis who are availing the regular gym facilities.

At this, the unit submitted that on an average only 20-25 Air Warriors were visiting to gym on regular basis. In this regard, keeping in view the no. of visitors to gym, IFA was of the opinion that the fresh requirement of the items already available at the station i.e., Treadmills, Exercycle-Electric, Cross Trainer, Stationery Bike and Multigym may be reviewed and the project may be restricted to the rest of the items only. IFA stated that only one gymnasium is authorized to the unit for strength up to 5000 in accordance with Para 8.3.2 of Scale of Accommodation. The unit had again requested to concur the proposal at a same cost as the total population of the base including air warriors and families at four dispersed location was approximately ten thousand and it was not feasible practically for all personnel to avail facilities at one centrally located gym. IFA was not satisfied with the reply furnished by the unit and requested the unit to furnish the revised proposal along with BER certificates.

Accordingly, the unit authorities agreed to the advice rendered by IFA and the requirement of 24 Station Multi Gym had been materialized by 6 Station Multi Gym. Further, the ibid proposal was restricted to the procurement of gym equipments against BER items only at an estimated cost of Rs 24.77 lakhs as against earlier projected cost of Rs 57.27 lakhs. As a result, saving of Rs 32.49 lakhs was achieved.

5. Proposal for the procurement of Centralized Internet Access System (CIAS), IFA (SAC)

HQrs SAC submitted a proposal for the procurement of Centralized Internet Access System (CIAS) for an amount of Rs 15.71 lakhs. IFA advised to curtail the expenditure by utilizing the existing cables. Accordingly, HQrs SAC worked out the hardware requirements and reduced the amount for Rs 9.76 lakh.

Subsequently, HQrs SAC submitted a parallel proposal for procurement of Centralized Internet Access System (CIAS) for 17 FBSU, a ledger unit for an estimated amount of Rs 27.89 lakhs. Considering the two parallel proposals, IFA advised HQrs SAC to combine both the proposals together to form a single proposal which will ensure faster processing, combined value resulting in more competition, uniformity and avoidance of any splitting of sanction possibilities.

Accordingly, HQrs SAC submitted the combined proposal for the procurement of Centralized Internet Access System (CIAS) through LTE for a combined amount of Rs 18.79 lakhs. IFA accorded AON concurrence to the combined proposal. Consequently, the tendering was carried out and the draft Supply Order (SO) was placed through LTE for an amount of Rs 17.01 lakh which resulted in a saving of Rs 26.59 lakhs.

6. Proposal for Major Overhaul of Port Diesel Alternator of INS Gharial, IFA (SNC)

HQrs SNC projected the proposal for Major Overhaul of Port Diesel Alternator of INS Gharial for an amount of Rs 2.84 crore on Single Tender Basis on OEM. After scrutiny of the proposal, IFA advised to tender out the Gutting/De-gutting jobs on competitive basis while the overhaul was to be done by the PAC holding OEM. A Budgetary quote received from the authorized service partner and OEM for the said job which was for Rs 53.8 lakhs for Gutting/De-gutting job and Rs 215.3 lakhs for the overhaul. IFA accorded AON concurrence to the said amount view the Operational Defect (OPDEF) projected. Price reasonability was to be established prior to financial concurrence after receipt of firm quote. However, OEM/authorized representative did not respond to the RFP floated and hence, the proposal was closed for want of response.

Subsequently, HQrs SNC projected two separate proposals separating the Gutting/Degutting proposal from the Overhaul of Diesel Alternator. The Gutting/Degutting was tendered out on competitive basis. IFA accorded the AON concurrence for Rs 12 lakhs based on BQs from capable firms and post tendering. In tendering, L1 rate achieved was for Rs 6.5 lakh compared to Rs 53.8 lakhs as proposed for Gutting-Degutting job in the BQ earlier. Similarly, the case for overhaul of diesel alternator was tendered out to the OEM on STE (PAC) basis. The case was negotiated with OEM with regard to scope of work and price and the final rate was

achieved for Rs 165 lakhs as against quoted price for Rs 240 lakhs. Thus, total savings of Rs 109.6 lakhs was achieved in the instant case.

7. Procurement of Victualling Items at ENC – Visakhapatnam

ENC through BVY (V) is procuring dry rations post delinking of rations from ASC vide Gol letter dated 17.2.2009. Earlier, ENC was procuring branded items recommended vide IHQ, MoD (N) dated 29.2.2005 instead of ASC specifications. Mention of brand names in RFP resulted in i) Restrictive specifications, ii) Poor competition/RSV situation, iii) Higher rates etc. Considering the above factors, IFA (ENC) advised to tender out as per the ASC specifications instead of going with brand names. It resulted in better price and increased competition for various victualling items. A comparison of prices item wise is annexed as Table-1. Thus, total savings of Rs 1.34 crore was achieved.

8. Offloading of Refit Packages to M/s HSL, IFA (ENC)

Naval Dockyard, Visakhapatnam initiates proposals for offloading refits of IN Ships to M/s HSL on STE basis due to its capacity constraints. Being STE cases, the Refit packages were concluded with very high prices and even PNCs were not achieving much reductions as M/s HSL was not responding to logical arguments. IFA (ENC) insisted on LTE basis instead of STE basis. After protracted discussions with CSO (Tech) and with the approval of CFA (C-in-C), it was agreed upon to process such cases on LTE. A comparison of STE and LTE cases with financial implications is given in Table 1. It is interesting to note that M/s HSL had quoted Rs 3.97 crore for the tender of INS Cheriyam whereas they had charged Rs 4.31 crore and Rs 4.78 crore in r/o Chetlet and Carnicobar the same class of ships. Savings achieved in this case is Rs 2.18 crore.

9. Rate Contracts of Naval Dockyard (Visakhapatnam), IFA (ENC)

Naval Dockyard (V) concluded the Rate Contract in r/o (i) Repairs on Trunkings and (ii) Structural Repairs – Above Water Hull. ND (V) concluded these RCs for a period of 3 years with an annual ceiling of Rs 2 crore. However, during the contract period, due to increased flow of work, ND(V) approached HQrs ENC for approval of the C-in-C being the next higher CFA to enhance ceilings of these rate contracts to Rs 5 crore from 2 crore. However, IFA (ENC) suggested a review PNC to be concluded in r/o these two RCs as the original PNC was conducted and price concluded keeping in mind the initial estimation of Rs 2 crore only. Accordingly, a review PNC was conducted and prices were revised and brought down across all the serials of the Scope of Work as per Table-I & II. For the RC on “Repairs on Trunkings” after conclusion of Re-PNC, a total of 42 work orders had been placed during the next two years with re-negotiated rates. The total difference of the cost is Rs 2.61 crore. Similarly, for the RC “Structural Repairs – Above Water Hull” after conclusion of Re- PNC, a total of 32 work orders have been placed during the next one year with re-negotiated rates. The difference of the cost is Rs 31.54 lakhs. Thus, total savings of Rs 2.93 crore was achieved.

10. Rate Contracts of Naval Dockyard (V) - Change of Methodology for arriving at L1, IFA (ENC)

ND (V) concludes Rate Contracts for different works related to Refit/Repair on IN Ships. Previously, L1 was determined based on the unit costs only. Firms were quoting substantially lower rates for items which were used less in quantity and higher rates for items which were used in large quantity. IFA suggested determining L1 wrt total cash outgo of the contract instead of unit price. Prices were negotiated wrt item wise lowest which resulted in good saving to the exchequer. The details are given in Table 1 show the savings accrued due to the new RC which was concluded following the new methodology.

11. Procurement under Revenue to Capital Scheme (R2C), IFA (ENC)

For processing Revenue to Capital (R2C) cases, Command HQrs are to compile the details of schemes planned to be progressed in each FY under R2C route and prepare a Prioritized Annual Procurement Plan. The plan has to be vetted by IFA and a copy forwarded to IHQ MoD by 15th December in the preceding FY along with the anticipated requirement of funds. Based on budgetary estimates received, funds will be sub allocated to the Command HQrs by IHQ MoD (N). Upon receipt of funds, the Command HQrs will accord AIP and process cases further in accordance with Revenue procedure as per DPM within delegated financial powers, restricting expenditure to within the allocated budget and to the schemes included in PPP. However, the practice at HQrs ENC was that the Annual Procurement Plans under Revenue to Capital were prepared without the concurrence of IFA (ENC) and are often prepared post allocation of funds under the scheme. Since funds were being made available, cases were later sorted out for inclusion in the PPP. PPP was being prepared post receipt of funds due to which proposal otherwise falling under revenue heads were being procured using R2C route. In fact, R2C scheme had become an alternative route for manipulating revenue expenditure through capital heads.

The Chief of Staff (COS) at HQrs ENC had accorded AIP in the following manner without vetting of IFA.

- 2012-13 89 cases Rs 104.70 crores
- 2013-14 82 cases Rs 72.12 crores.

IFA (ENC) made observations on AIP accorded by COS and coordinated with FA to MS to process the cases. All cases were vetted again with reference to the prevailing guidelines. The cases qualified were as follows:-

- 2012-13 32 cases Rs 37.54 crores
- 2013-14 18 cases Rs 20.15 crores

Due to timely and correct financial advice rendered by IFA (ENC), expenditure has been considerably minimized and possible infructuous expenditure avoided.

12. Development of Satcom Data Link for Rustom – II UAV, IFA (R&D) Bengaluru

IFA received a proposal for Development of Satcom Data Link for Rustom – II UAV at an estimated amount of Rs 20.24 crore on LTE basis during the month of Oct 2012. IFA examined the proposal and observed that no justification was given for LTE and considering the huge cost estimated for the proposal, it was advised that the case may be projected on Open Tender Enquiry (OTE) basis to obtain competitive rate and final estimated cost was approved for Rs 16.50 crore.

In response to OTE, 05 firms responded and the tender was awarded for Rs 15.70 crore. Thus, a saving of Rs 4.54 crore was achieved.

13. Proposal for Procurement of Quad Superhet Receivers for Programme SAMUDRIKA and HIMRAJ of Defence Electronics Research Laboratory, Hyderabad, IFA (R&D) Bengaluru

IFA (R&D) received a Proposal for Procurement of Quad Superhet Receivers for Programme SAMUDRIKA and HIMRAJ at an estimated cost of Rs 26.96 crore. During examination of the case, it was observed that a supply order was placed on M/s BEL at a cost of Rs 66.78 lakhs in 2011 which was successfully produced. In the present case for bulk order, the cost estimate arrived at was Rs 96.71 lakhs. On review of material list, it was seen that it had only 20% import component and USD rates increase of 18% between 2011 to 2013 did not warrant a very high bulk production cost. Moreover, the development cost had already taken care of non recurring charges. Finance therefore viewed that there was no case for increasing the cost from Rs 66.78 lakhs. Accordingly, proposal was concurred for Rs 17.36 crore as against earlier cost of Rs 26.96 crore. Thus, saving of Rs 9.60 crore was achieved.

14. A contract was concluded for construction of 30 Workboats (IFA Coast Guard), Delhi

A contract was concluded on 15th Oct 2009 for construction of 30 Workboats between MoD and M/s Timblo Dry Docks Pvt Ltd, Goa at a cost of 41.54 crore which was subsequently amended to Rs 41.43 crore vide a corrigendum on a/c of B&D spares sanction. As per contract, the 1st Workboat was to be delivered by 15th April 2011 and the subsequent Workboats were to be delivered at an equal interval of 03 months each with the last Workboat contractually due for delivery on 15th July 2018. But, the shipyard failed to deliver a single vessel till date and there was no physical progress since June 2012.

The shipyard finally submitted its inability to progress ahead with the project due to incorrect inputs from their original designer resulting non fitting of equipment as per provision of contract during the meeting held at MoD on 12th March 2013. JS & AM (MS), the Chairman of the committee directed CG HQrs to set up a Technical Committee to examine the shipyard's proposal vis-à-vis contractual provisions. The committee recommended foreclosure of the project. The committee's report duly approved by DG ICG (CFA) was submitted to MoD for seeking approval of the CFA. The report of CG

HQrs was examined from technical angle and concurred by TM (MS) with concurrence of MoD (Fin). DS (CG) has communicated that:-

- MoD (Fin) has concurred with the proposal regarding foreclosure/termination of Rs 41.43 crore contract for construction of 30 Workboats by M/s Timblo Dry Docks, Goa with consequential recovery of stage 1 payment of Rs 1.74 crore made by ICG and encashment of 30 Performance Bonds amounting to Rs 2.07 crore equivalent to 5% value of the total project cost.
- Now Service HQrs have been sanctioned enhanced delegated financial powers of Rs 150 crores for capital expenditure. CG HQrs may take further necessary action in the matter with approval of DG ICG as CFA.

IFA received the proposal for concurrence for approval of CFA. On scrutiny of the proposal, IFA observed that there is mark variation in the proposals inter alia previously submitted to MoD duly approved by CFA viz DG ICG. The proposal submitted to MoD mentioned that "Recovery of all payments made by ICG to shipyard till date along with applicable interest as per Govt norms.

In reply, CG HQrs submitted that the recovery of applicable interest for payment from the shipyard was not covered in the proposal of Directorate of Material for foreclosure/termination cleared by MoD/MoD (Fin). The recovery of interest was again emphasized by IFA and finally, the same was accepted by executive authorities and approved by CFA. As a result of IFA's advice, the following recovery has been effected:-

- A sum of Rs 1.74 crore was recovered on account of 1st stage payment.
- 30 nos. of Performance Bonds, one for each workboat with a sum of Rs 2.07 crore was encashed.
- A sum of Rs 75.07 lakhs was achieved on account of interest from the firm and credited into Govt treasury and money receivable order forwarded to the PCDA (Navy) Mumbai.

15. Proposal for concurrence for outsourcing of conservancy services, IFA (NC) Udhampur

IFA (NC) received a proposal for concurrence for outsourcing of conservancy services for Sharifabad Mil stn for the FY 2014-15 at an estimated cost of Rs 1.22 crore to be concluded with Srinagar Municipal Corporation (SMC).

IFA examined the proposal and observed that the requirement of vehicles for the garbage had been increased to 40 veh trips per month from the existing 31 veh trips per month for the FY 2013-14 (@ Rs 3500 per trip) and similarly for disposal of night soil the requirement was increased to 20 veh trips from the existing 11 veh trips per month for the FY 2013-14 (@ Rs 3500 per trip). IFA also found that there was no justification provided for these increases. IFA advised to Stn HQrs Sharifabad/HQrs NC either to provide justification for increase or restrict the monthly trips of veh for garbage and night soil disposal as utilized in the FY 2013-14.

HQrs NC/Stn HQrs Sharifabad accepted the advice rendered by IFA and accordingly reduced the scope by restricting the No. of veh trips as utilized in the FY 2013-14. Thus, the estimated amount on the subject proposals was reduced from Rs 1.22 crore to Rs 1.15 crore. As a result, a saving of Rs 7.56 lakh was achieved.

16 Proposal for retaining the existing consultant of Phase – I and II for Phase – III, IFA (MAP), Delhi

CCE (COD) New Delhi is responsible for engaging consultancy services, concluding contracts etc for execution of pilot projects sanctioned by MoD to improve the Habitat and living conditions of troops posted in high altitude in the Eastern and Northern sectors of India. Ministry of Defence issued sanction for incurring additional expenditure to the tune of Rs 63.65 crores towards executing Phase III of the said projects.

CCE (COD) submitted a proposal for retaining the existing consultant of Phase – I and II for Phase – III also and the consultant quoted consultancy charges @ 2.90% over the cost of project which was justified by CCE (COD). Thus, 2.90% of Rs 63.65 crores worked out to be Rs 1.84 crore. During examination of the case, it was observed that earlier, the same consultant was paid consultancy charges @ 1.90 % of Project cost for Phase – I and @ 1.70% of Project cost for Phase – II and after analyzing the inputs justifying the increase, CCE (COD) was advised to consider the fixing consultancy charges @ 1.90% which would adequately compensate his requirements.

The issue was deliberated in two meetings of Project Management Committee (PMC). Finally, after negotiation with the consultant, the PMC decided to agree to accept consultancy charges at 2.5% of the project cost which was worked out to be Rs 1.59 crores. Thus, a saving to the tune of Rs 25 lakh was achieved.



(Chitra Ramanuja)
Accounts Officer