

रक्षा लेखा महानियंत्रक

उलन बटार मार्ग, पालम, दिल्ली छावनी-110010

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संख्या आई.एफ.ए./65

दिनांक :- 27.09.2016

सेवा में

All PIFAs/IFAs Office's
(Through CGDA Web Site)

विषय - वित्तीय सलाह मामले।

Sub - Financial Advice Cases

वित्तीय सलाह संबंधी परिपत्र सं.-02 – वर्ष 2016-17 का दिनांक 27.09.2016 सूचना एवं मार्गदर्शन हेतु प्रेषित किया जाता

है।

Financial Advice Circular No.-02 of 2016-17 dated 27.09.2016 is forwarded herewith for information and guidance please.

This issues with the approval of Addl.CGDA.

व.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. (ईडीपी) कृपया उपरोक्त परिपत्र IFA Home Page वेबसाइट पर डलवाने का कष्ट करें।

व.ले.अ. (आई.एफ.ए. विंग)

Financial Advice Circular No. 02 of 2016-17



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Dated: 27.09.2016

Subject:- Financial Advice Cases.

The financial advice cases as submitted by Pr. IFA (IDS/SFC), New Delhi (01 Case Study), IFA (Army Capital Acquisition), New Delhi (01 Case Study), IFA (DGAFMS), New Delhi (02 Case Study) and IFA 14 Corps Leh (01 Case Study) are circulated herewith for information and guidance.

Case Study 1:- Renovation of DSSC Officer Mess at DSSC Wellington of HQ IDS at an estimated cost of Rs. 393.48 lakh.

Amount Proposed : Rs. 393.48 lakh

Amount Concurred : Rs. 373.74 lakh

Savings : Rs. 19.74 lakh

PIFA(IDS/SFC) received a proposal for concurrence of AoN & Adm approval for renovation DSSC officers Mess at DSSC Wellington.

Executives catered in AEs Tensile work over head shelter on the terrace having UP VC windows and urinal points, thereby, converted it into complete first floor which was over and above the scope of work as approved in the AMWP. Further plea of the executives for the work on first to have internal functions of the Mess was not considered. The case file was returned twice for deletion of above expenditure from AEs.

The CFA has agreed to its office advice and revised the AEs to Rs. 373.74 lakh and submitted the file to PIFA office.

PIFA(IDS/SFC) has accorded concurrence AON & Adm approval for Rs. 373.74 lakh. Thus as a result of financial advice rendered by PIFA savings to the tune of Rs. 19.74 lakh was achieved.

Case Study 2 :- Procurement Proposal "Long Range Reconnaissance Observatory System (LORROS) Mk IV":-

Amount Proposed : Rs 232.12 Crores (Original quote of Vendor)

Amount Concurred : Rs. 133.63 Crores (Recommended by CNC & Concurred by IFA)

Savings : Rs 98.49 Crores

Details of the case: IFA (Army-Capital) received a proposal for procurement of LORROS Mk IV for which AoN was accorded by DAC in its meeting held on 19 Jan 2014 for procurement of Qty 30 LORROS (Long Range Reconnaissance Observatory System) from M/s Elbit systems, Israel as 'Buy Global' on repeat order basis with certain BFE items under Para 64 and 65 of DPP 2011 at an estimated cost of Rs. 60.00 Crores.

The above proposal had an extensive provision for ESP (Engineering Support Package) as per the maintenance philosophy incorporated in the RFP which was justified by the User and EME in terms of their operational requirement and previous experience that involved entering into subsequent AMCs with the Vendor and long term cost benefit was emphasized by them on account of SMT/STEs being procured and portability of some of the spares being procured vis-à-vis the earlier version of LORROS procured since year 2000 from the same Vendor.

Advice of IFA:-

(a) **Price negotiation:** Price negotiation in respect of main equipment and ESP with the vendor was carried in several stages. In order to have a realistic analysis of price, a line wise comparison of cost of items with reference to original/ revised quote submitted in the present case vis-à-vis the rates quoted in the previous procurements of similar equipments/spares under Capital and Revenue heads since 2000 was carried out diligently. As a result, a saving of Rs. 98.48 Crores (Rs 17.97 Crores towards Main Equipment and Rs. 80.51 Crore towards ESP) was achieved.

(b) **Contract negotiation:** In view of extensive provision of ESP, the IFA advised the CNC to take the following decisions to ensure optimum utilization of spares offered as ESP.

(i) SOP for Buyback must be formulated to ensure that all spares are utilized to the fullest extent or replaced/returned to vendor. The SOP to be implemented for future cases also.

(ii) Extended warranty of four years for post warranty MRLS to ensure maximum warranty for the spares during the actual period of use.

(iii) Staggered supply and payment terms for the MRLS beyond the supply of main equipment (i.e C+12, where C is date of signing the Contract) to further extend warranty for the spares and resultant benefit to state.

(iv) It was also advised by IFA to revise Payment terms of the contract so as to release a portion of the balance payment after JRI as against 100% payment after PDI to ensure vendor's liability right up till the equipment reaches the consignee.

Concurrence/Savings achieved: As a result of careful scrutiny of facts, financial advice rendered and stringent negotiations carried out in the CNC by IFA, the original offer price of the Vendor was reduced from Rs. 232.12 Crore to Rs. 133.63 Crore. Thus, a saving of Rs. 98.49 Crore was achieved besides negotiating/aligning warranty and payment terms to further secure the interest of the state. Furthermore, pursuant to the two critical advisories, the concerned branches are working on incorporating necessary clauses for staggered supply and payment and for extended warranty for the post warranty MRLS being procured along with the main equipment and formulation of SOPs for invoking the buyback clause included in the RFP/Contract respectively for all the future RFPs/Contract implementation. VCOAS has also approved the proposal as CFA.

CASE STUDY 3 :-

(i) A proposal for Provisioning of 13646 quantities in pre filled Syringes/Vials of PVMS NO. 011604 Pegylated Interferon ALFA 2A, 180 mcg Inj, through Rate Contract for a period of three years (to be concluded on ATI/non-PAC) at an estimated cost of Rs. 4,43,49,500.00 (with annual drawl limit of Rs. 1,47,83,167.00 for 4548 vials/PFS)

(ii) Provisioning of 734 quantities in pre filled Syringes/Vials of PVMS No. 011629 Pegylated Interferon ALFA 2A, 135 mcg Inj, through Rate Contract for a peirod of one year to be concluded on PAC with M/s F. Hoffmann-La Roche Ltd, Basel, Switzerland at an estimated cost of Rs. 22,03,000.00

Amount Proposed : (i) Rs. 1,47,83,167.00/-

(ii) Rs. 22,03,000.00/-

Amount Concurred :

(i) Agreed in principle and returned with observation.

(ii) Agreed in principle and returned with observation.

Savings achieved in (i) & (ii) cases : (i) Rs. 1,47,83,167.00/-

(ii) Rs. 22,03,000.00/-

Total Savings (i+ii) = Rs. 1,69,86,167.00/-

Details of cases as under:-

(a) DGAFMS submitted both the above proposal at (i) & (ii) on different files for conclusion of Rate Contracts.

(b) The proposal of PVMS No. 011604 Pegylated Interferon ALFA 2A, 180 mcg Inj was proposed on Advt Tender Inquiry (ATI)/non-PAC, whereas the proposal of PVMS No. 011629 Pegylated Interferon ALFA 2A, 135 mcg Inj, was processed on PAC of M/s F. Hoffmann-La Roche Ltd, Basel, Switzerland.

(c) It was observed that M/s F. Hoffmann-La Roche Ltd, (OEM) is manufacturing the drug under different compositions of viz. 80 mcg, 135 mcg and 180 mcg.

(d) It was pointed out that the different composition of drug which serves the same purpose should be treated under one purchase therefore the requirement made out under different compositions on different files needs to be elucidated.

(e) It was asked to place on record the list of manufactures, their marketing & Manufacturing certificates (MMCs) and offered compositions in case of Pegylated Interferon ALFA 2A, 180 mcg Inj which was processed on ATI/Non-PAC.

Consideration by Executives:-

(a) In response to aforesaid observations, Sr. Adv (Med & Gastroenterology), AH (R&R) has examined the necessity and PAC status of the drug, and clarified vide his letter dated 27 April 2016 that Pegylated Interferon is used to treat Chronic Hepatitis "B" & "C" and available in different molecule as Peg IFN ALFA 2A and Peg IFN ALFA 2B. Sr. Adv (Med & Gastroenterology) further opined that "since we now have newer oral directly acting agents (DAA) available for Hepatitis "C", therefore the requirement of using pegylated Interferon has drastically reduced to 1/3rd of requirement in per DAA era and in next few years with newer DAAs being launched the requirement of Peg IFN even for Genotype 3 may also reduce further.

(b) Considering this Sr. Cons(Med) has opined that drug is being supplemented by newer molecule and recommended for not to procure the drug in Pegylated Interferon ALFA 2A and accordingly both case files are processed for closure of procurement action.

Conclusion:- On the observation of IFA, both the case files were processed for closure, thus resulting in saving of Rs. 1,69,86,167.00 which also helped in review of decision to go for treatment following newer research. However, no new procurement /in lieu procurement has been initiated till date.

Case Study 4: Provisioning of PVMS 020151 Injectable Typhoid Vaccine 0.5 ml of Rate Contract for three years:-

Amount Proposed : Rs. 2,87,64,211.00

Amount Concurred : Rs. NIL

Savings : Rs. 2,87,64,211.00

Details of the Case:-

A proposal for provisioning of PVMS No. 020151 Injectable Typhoid Vaccine 0.5 ml qty- 487529 vials worked out by DGAFMS on the basis of Stock Information System (SIS) from Command Hospitals and AFMSDs, considering, Monthly Maintenance Figures (MMF), as per special Provision Review Directives (SPRD) for 4,87,529 quantity with estimated financial effect of Rs. 2,87,64,211/- + taxes were received in the office of IFA DGAFMS for according AON and quantity vetting in Nov, 2014.

Advice of the IFA (DGAFMS):-

During scrutiny of the proposal, IFA observed that in Nov, 2012, procurement of the drug under PVMS No. 020151A was made by DGAFMS with strength of 2.5 ml with unit cost of RS. 106.90/- + taxes = Rs. 113.40 each vial and accordingly DGAFMS was advised that the estimated cost of 0.5 ml @ Rs. 59/- + taxes as worked out in the present proposal appeared to be very high as compared to the rates of Nov, 2012, as such last rates of Rs. 106.90/- + taxes for 2.5 ml for a dose of five injection (0.5 ml each) and this aspect needs to be kept in view while concluding Rate Contract.

Concurrence and Savings:-

Based on the above observation of IFA, DGAFMS forwarded the case to Sr. Consultant (Med) to examine the requirement of both the items i.e PVMS 020151 Injectable Typhoid Vaccine 0.5 ml and PVMS 020151A Injectable Typhoid Vaccine 2.5 ml. Sr. Consultant (Med) commented that multiple dose have advantage of easy logistics, easy accounting, ideal for multiple/mass immunization with cost effectiveness. Sr. Consultant opined that Rate contract for single use vial i.e 0.5 ml may not be concluded and therefore the procurement of Injectable Typhoid Vaccine 0.5 ml may be cancelled.

Proposal was received in the O/o IFA(DGAFMS) for closure and the same was concurred by IFA. The advice of the IFA(DGAFMS) resulted in savings to the tune of Rs. 2,87,64,211/- to the exchequer.

Case Study 5 :- "Conclusion of BI-Annual contract for procurement of Special Ration for the current year 2015-16 wef 01 Oct 2015 to 31 March 2016 in respect of 14 Corps Zone:-

Value of contracts based on Last tendered rates:- Rs. 8,17,90,301.50

Value of Contracts after inviting Offer (IO):- Rs. 7,80,73,116.85

Savings :- Rs. 37,17,184.65

Details of the case:-

(1) A proposal for the inventory of Special Ration for CY 2015-16 wef 01 Oct 2015 to 31 March 2016 (as revised vide HQ Northern Command (Q/Ops) letter No. 24301/SR/OPV/Q1B dt 14 Jul 2015) has total 55 items (including being provision through central sources and on (Egg) through local contracts) in 15 groups.

(a) These items of special ration for CY 2015-16 were required to be procured for 14 Corps Zone by conclusion of Regular Bi-annual contracts as per HQ Northern Comd (Q/Ops) letter dt. 14 July 2015. The value of Spl Ration (Juice Gp) seven items in respect of 14 Corps Zone was vetted and concurrence given by IFA HQ 14 Corps and approved by the CFA i.e GOC, HQ 14 Corps.

(b) Necessary publicity for tendering process for procurement of these items was carried out as per the laid down instructions by the executive authorities by using e-procurement portal of GoI i.e eprocure.gov.in. The TPC for procurement of these items was held on 17th August 2015 at 603 ASC Bn (AM). Due to bad weather the panel assembled on 18th Aug 2015 and opened the tender box in presence of vendors. The POO analyzed the CSTs and offered negotiations with L-1 vendors as LTR was above RR fixed and to ensure maximum economy.

(c) The negotiations were carried out on the following factors.

(i) The MRP rates of three items of Dabur who was declared L-1 for Apple Juice, Grapes Juice and Guava Juice of Real Dabur Brand were the same as compared to the MRP in Mar 2015 and hence no appreciation in rates accepted.

(ii) Rep of Dabur also brought out that there is 16 % inflation in the juice market which includes about 8% due to dollar rise and 8% due to increase in input cost.

(iii) M.S Grace Drinks Pvt Ltd informed that their entire sourcing of product is from USA and dollar price has affected the input cost and hence MRP has been revised from, Rs. 105/- per litre to Rs. 120/- per litre in case of orange juice. He also highlighted that production of Lassi is drastically reduced by Verka in winters. Also the one litre pkg with six months ESL is special made for defence forces having no market. These factors resulted in higher quotes for Lassi as compared to rate of summer contract.

(iv) The reps also highlighted that failure of Mango crop due to freak weather has adversely affected prices of Mango Juices.

2. POO intimated the L-1 vendors that quoted rates were unacceptable and gave invitation offer (IO) to them. The POO analyzed the revised offers.

(i) L1 were determined item wise, which led to achievement of more economical rates.

(ii) Negotiation were carried out with every L1, separately & systematically.

(iii) Panel of officers observed that in report of some items the rates quoted by L1 were higher than M.R.P reason for quoting rates higher than MRP were asked from L1 Vendor.

(iv) L1 Vendors brought out various reasons for quoting rates higher than the MRP, but P.O.O during negotiation who able to persuade the L1 vendors to bring down the rates to most economical level, below MRP in view of bulk quantity.

3. The LTR achieved for each individual item was examined comparing the rates achieved the RR and considering the difficulties in procurement through LP and decision for recommending acceptance/rejection were taken accordingly. As a result of effective role played by panel of officers, including the rep of the IFA, the total financial value of the ASC contracts has been brought down from Rs. 8,17,90,301/- to Rs. 7,80,73,116/- resulting into saving to the state to the tune of Rs. 37,17,184/-