

F.No.I-19011/6/2014-AA/FTS-10397  
Government of India  
Ministry of Housing & Urban Poverty Alleviation  
(A.A Section)

Nirman Bhawan, New Delhi-11.  
Dated : 26th June, 2014.

To  
The Chief Executive Officer,  
Central Government Employees  
Welfare Housing Organization (CGEWHO),  
6<sup>th</sup> Floor, Janpath Bhawan,  
Janpath, New Delhi - 110 001.  
(FAX No. 23717250)

Subject: Cost escalation in Bhubaneswar Housing Project (Phase-II).

Sir,

I am directed to refer to CGEWHO's letter No. T-708/1 dated 12.06.2014 on the above-mentioned subject and to say that the matter of cost escalation in Bhubaneswar Housing Project (Ph-II) has been examined and clarified by Joint Secretary(Housing) as Chairman, Executive committee of CGEWHO in his note and the same has also been approved by Secretary(HUPA) as President, Governing Council of CGEWHO. A copy of notes recorded in this regard is enclosed herewith for necessary action by CGEWHO.

Encl. Copy of notes(PP-14-17/n)

*Yours faithfully,*

*[Signature]*

(A.N.Jha)

Under Secretary to the Government of India  
Telefax: 23062910

*0/c*  
*Issued with encls.*  
*26/6/14*



केन्द्रीय सरकारी कर्मचारी कल्याण आवास संगठन  
CENTRAL GOVERNMENT EMPLOYEES  
WELFARE HOUSING ORGANISATION

(Ministry of Housing & Urban Poverty Alleviation, Govt. of India)

छठा तल, ए खण्ड, जनपथ भवन,  
जनपथ, नई दिल्ली-110 001  
दूरभाष : 23739722 / 23717249 / 23355408  
फैक्स : 23717250

6th floor, 'A' Wing, Janpath Bhawan,  
Janpath, New Delhi - 110 001  
Phones : 23739722 / 23717249 / 23355408  
Fax : 23717250  
E-mail : [cgewho@nic.in](mailto:cgewho@nic.in)

Ref: T-708/1

12<sup>th</sup> June, 2014

Shri AN Jha,  
Under Secretary to the Govt of India,  
(AA Section),  
Ministry of HUPA  
Nirman Bhawan,  
NEW DELHI 110011.

Sub: Cost escalation in Bhubaneshwar Housing Project(Phase-II).

Sir,

May kindly refer your letter No.I-19011/5/2014-AA/FTS-10309 dated 11<sup>th</sup> June, 2014 on the captioned subject. The parawise reply on the issue is being given as under :-

- i) There is a single contract entered between CGEWHO and M/s Manjeera Construction Ltd., a Company incorporated under the Company's Act, having its registered office at 306, Aditya Trade Centre, Ameerpet, Hyderabad, towards execution of Bhubaneshwar project on turnkey basis in an area of approx. 10 acres of land. As per the demand, the project was decided to be taken up in two phases – Phase-I consisting of 256 DUs and Phase-II consisting of 240 DUs. Hence it may be seen that the contractor for Phase-I is also M/s Manjeera Construction Limited.
- ii) There was no plan towards replacement of the contractor as the contract entered between CGEWHO and M/s Manjeera Construction Ltd., is a turnkey project wherein the contractor has to complete the project including provisioning of the land as per the scope of work. Hence the land kept for Phase-II works is also a part of the scope of work of the turnkey contract. It will not be feasible to replace the contractor and delink the Phase-I and Phase-II as the concerned contract is a single contract for construction of 496 DUs. Since Phase-I project was not progressed to the requirement and was got delayed, the matter was discussed in the Governing Council meeting held on 15-11-2011 wherein it was decided that Bhubaneshwar Phase-II

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project shall be analysed and progressed based on the completion of Bhubaneswar Phase-I project, to avoid any further delay on Bhubaneswar Phase-I project, which was in the mid of construction. However, since the contractor has agreed to execute the works on the same rates as per the contract finalized in the year 2006 with applicable escalation as per the contract, there is no dispute pending as on date.

- iii) CGEWHO is maintaining projectwise bank account at the project site. Apart from this Head Office is also maintaining projectwise accounts in books of Accounts containing details of all collection/payments/expenditure. However, pool bank account for all the projects is being maintained at Head Office and necessary accounting entries for collection/payments are being made in each project account on daily basis.

This has the approval of Offtg CEO.

Yours faithfully,



(Gagan Gupta)

Asstt. Director (Tech)  
for Chief Executive Officer



F.No.I-19011/6/2014-AA/FTS-10397  
Government of India  
Ministry of Housing & Urban Poverty Alleviation  
(A.A Section)

Nirman Bhawan, New Delhi-11.  
Dated : 10<sup>th</sup> June, 2014.

To

The Chief Executive Officer,  
Central Government Employees  
Welfare Housing Organization (CGEWHO),  
6<sup>th</sup> Floor, Janpath Bhawan,  
Janpath, New Delhi – 110 001.  
(FAX No. 23717250)

✓ Subject: Cost escalation in Bhubaneswar Housing Project (Phase-II).

Sir,

I am directed to refer to the above-mentioned subject and to say that the committee constituted for investigating Cost Escalation in Bhubaneswar Housing Project (Phase-II) of CGEWHO had met in Bhubaneswar on 26<sup>th</sup> May, 2014 and made site visit and examined the necessary documents obtained from CGEWHO. The report submitted by Committee has been perused by Secretary (HUPA). The Secretary (HUPA) has made the following observation:-

- i) Who was the contractor for Phase-I ?
- ii) Was there any plan to replace or was there a dispute?
- iii) Is it correct that CGEWHO does not even have a project-wise bank account?

You are requested to furnish information on the above observation of the Secretary (HUPA) to the Ministry for further action in the matter.

  
(A.N.Jha) ✓  
Under Secretary to the Government of India  
Telefax: 23062910

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This case was discussed with S (HUPA) today.

2. There is no denying the fact that from a consumer perspective, the cost escalation is a reality that must be grappled with. Notwithstanding the fact that CGEWHO decided to abandon this project in 2011, not many allottees opted for taking their deposit back, for which an explicit option was provided to them. In other words, it may be construed that they had perhaps acquiesced in the impending price increase.

3. On the other hand, it may also be indicated that CGEWHO works on 'No-Profit-No-Loss' basis and it does not have any retained profits or reserves which could be appropriated to reduce the price for the allottees.

4. It may also be seen that Rs.100 paid by an allottee in the year 2011 would amount to Rs.133/- paid now in 2014, assuming an annualized rate of inflation of about 10%. This would imply with the real value of the money being parted by allottees is now accordingly lower.

5. It may also be seen that CGEWHO has already entered a bidding contract with the construction/turnkey builder and the cost of increase in labour, material etc. has to be provided as per the provisions of this contract.

6. Keeping in view the totality of the circumstances, it is felt that CGEWHO has no option but to go in for the price of Rs.2,631/-, including the cost of land and covered parking. If, however, the actual cost turns out lower, the benefit thereof can be passed on to the consumers. Thus, there is no option but to approve the aforesaid price of Rs.2,631/- per sq. feet, with an option to the allottees to get their money refunded with the prescribed rate of interest 5%, if they so desire.

Submitted please.

  
(K.B.S. SIDHU)  
JS(H)-cum-Chairman, EC, CGEWHO  
05.06.2014

Secretary (HUPA)-cum-President, GC, CGEWHO

- (1) who was the contractor for phase I
- (2) was there any plan to replace or was there a dispute. Or check with P on C record.
- (3) Do it correct that not only reserve fund, CGEWHO JS(H) doesn't even have a project win bank etc?

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6/6/14  
Dated

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etc

# Report on Cost Escalation in Bhubaneswar Housing Project (Phase-II) of CGEWHO.

In terms of : Govt. of India Ministry of Housing & Urban Poverty Alleviation F.No.I-1901/6/2014-AA/FTS-10397 Dated 25-04-2014/ 01-05-2014

Meeting held on : 26<sup>th</sup> May, 2014 at HUDCO Regional Office, Bhubaneswar and site visit.

Committee : Shri Akhilesh Kumar, ED(P) - Chairman

1. Shri M. Narayanan, CEO, CGEWHO - Member
2. Shri A.K. Khatua, SE, CPWD - Member
3. Shri M.K. Jami, DGM(P), HUDCO - Convenor

## Brief of History :

CGEWHO had issued a Letter of Intent dated 10 Aug 2006 towards taking up a turnkey housing project to M/s. Manjeera Constructions Co. Considering the market situation, it was decided to take up the project in two phases i.e. Phase I consisting of 256 DUs of various categories and Phase II consisting of 240 DUs. CGEWHO received only 181 applications against 256 DUs as planned for Phase I. Accordingly, while signing the contract agreement towards construction of DUs as per LOI, the Phase I project was taken up consisting of 256 DUs and both CGEWHO and contractor agreed to take up the balance works at a later date. Accordingly, construction of Phase I was commenced in December, 2008 and completed on 25<sup>th</sup> March, 2013 further handed over to allottees at Rs. 1780/- per sqft. (including parking).

On subscription of the total 256 DUs of Phase I, it was decided to announce the Bhubaneswar (Ph II) housing scheme for the balance 240 Dus. Accordingly, the scheme was announced in December, 2009. The cost of project while announcing was Rs. 1712/- per sqft plus cost of parking space extra.

Due to delay in progress of Bhubaneswar Phase I the work of Phase II has not started by the contractor. It appears the CGEWHO could not get the work started due to its own

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policy decision. Further the scheme was kept in abeyance and all beneficiaries were given option to take back the money with interest or wait for reannouncement of scheme at revised cost and configuration vide CGEWHO letter dated 15<sup>th</sup> December, 2011 after decision of Governing Counsel Meeting held on 15.11.2011.

After the inauguration of Phase I in Jan 2014, the then Secretary, M/o HUPA on 24 Mar 2014 directed CGEWHO to take Phase II project immediately to avoid further delay. Accordingly, action was taken up by CGEWHO to take up the project. The agency also agreed to take up the project on the same rates as per the contract with applicable escalation and also submitted the required Performance Bank Guarantee.

The revised cost of Rs. 2776/- per sqft including parking and escalation upto December, 2017 was notified to the beneficiaries vide CGEWHO letter dated 20<sup>th</sup> March, 2014.

**Finding of Committee :**

1. On perusal of document as submitted by CGEWHO in support of cost Rs. 1712/- per sqft. and the cost Rs.2776/- per sqft, following were observed:-
  - (a) The cost assessed during December, 2009 was tentative and the data of escalation service tax etc. was not taken realistically.
  - (b) The cost of covered car parking was not included as per policy in vogue during 2009-10.
  - (c) While assessing the cost in March, 2014, the datas available from completion of Phase I, was incorporated and further the wholesale price index and the labour index was interpolated upto April, 2017.
  - (d) The basic reason for increase of estimated cost during March, 2014 is escalation of Rs.1026/- per sqft of construction cost for material and labour, which has made the main effect in increase of cost.



- (e) The another reason for increase of estimated cost is the inclusion of cost of parking for each quarters alongwith area of quarters.
2. Therefore the estimated cost increased from Rs.1712/- per sqft to Rs.2776/- per sqft which works out to 62% higher.
  3. Further it was seen from the data available in CPWD with the guidance of Shri A. K. Khatua, SE (Member) that the estimated cost of construction in Bhubaneswar area worked out to Rs. 1782/- per sqft during December, 2009 and Rs.2500/- per sqft during December, 2013 (both excluding cost of land, road and amenities).
  4. Above all increase was attributable by abandoning of project and delay in commencement from year 2010 to 2013 (four years).
  5. The following calculation sheets and table have are annexed for reference.
- (a) Prefinal costing of Phase-I Annexure - I  
(b) Cost comparison for Phase I & Phase II construction period upto 2017 Annexure-II  
(c) Costing of Phase II as on 31<sup>st</sup> March, 2014 Annexure-III  
(d) Costing of Phase II anticipating completion by June, 2016 Annexure-IV

**Conclusion :**

The basic reason of increase in estimated cost is as under :-


- (a) The project of Phase II has been delayed by authorities of CGEWHO from December, 2009 to till date (about 04 years) which has resulted in enormous increase of cost. The decision of CGEWHO for abandoning the project during December, 2011 has also impact for present situation.
- (b) The wholesale price index has increased from December, 2009 to till date from 231.32 to 336.77.
- (c) The minimum labour rate during same period has increased from Rs.169/- to Rs. 278/-.






- (d) The cost of cement and steel has increased from Rs. 6,200/- per MT and Rs.37,000/- per MT during December, 2009 to Rs. 6,800/- per MT and Rs.49,000/- per MT respectively at present.
2. The cost of construction including land covered parking for each quarter as on March, 2014 work out to Rs. 2412/- per sqft. Assuming that stilt plus four story will be completed by June, 2016 and rate of inflation will remain same during period of two years, the cost including land covered parking will work out to Rs. 2631/- per sqft.

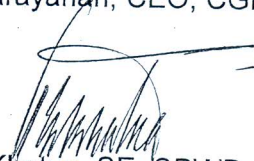
Encl.: As above.  
sheets



Akhilesh Kumar, Chairman



(1) M. Narayanan, CEO, CGEWHO



(2) A.K. Khatua, SE, CPWD



(3) M.K. Jami, DGM(P), HUDCO

Nirman Bhawan, New Delhi-110011  
Dated: 25<sup>th</sup> April, 2014

**OFFICE MEMORANDUM**

Subject: Cost escalation in Bhubaneswar Housing Project (Phase-II) of CGEWHO.

CGEWHO has revised the estimated cost of the Bhubaneswar Phase-II Housing Project at Begunia Barai vide their letter No.A/520/2 dated 20.3.2014. In this regard, complaints/representations have been received about the increase in cost up to 90% of the original cost of the project. Such a high project cost escalation even before the commencement of the project, needs to be investigated by a technical committee headed by senior technical personnel from HUDCO, CPWD & representative of CGEWHO.

The following committee is constituted to investigate the reasons of cost escalation in the Bhubaneswar Housing Project (Phase-II) taking into account the prevailing cost of local/other materials involved in construction and suggest revised cost estimates for the project as on 31.3.2014:

1. Shri Akhilesh Kumar, Executive Director (W & D), HUDCO Regional Office, 3<sup>rd</sup> Floor, Deen Dayal Bhawan, Near Uco Bank, Ashok Nagar, Bhubaneswar - 751 009 Fax-0674-2534906 -- Chairman
2. Shri K. Jami, DGM (Project), HUDCO, Bhubaneswar -- Convenor
3. Representative from Chief Engineer, Eastern Zone-V, Bhubaneswar, CPWD not below the rank of Supt Engineer -- Member
4. CEO, CGEWHO -- Member

The Committee is requested to investigate the matter and give its report within one month.

This issues with the approval of Secretary (HUPA) & President Governing Council (CGEWHO).

  
(A.N. Jha)  
Under Secretary (AA)

To,

- Copy to
1. Secretary (HUPA), Nirman Bhawan, New Delhi
  2. DG, CPWD, A-Wing, Room No 101, Nirman Bhawan, New Delhi
  3. CMD, Housing & Urban Development Corporation Ltd., HUDCO Bhawan, India Habitat Centre, Lodhi Road, New Delhi - 110 003, Fax - 24697378
  4. Chief Engineer, Eastern Zone-V, Bhubaneswar, CPWD

(A.N. Jha)  
Under Secretary (AA)

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