02.09.2014

Valuation of Capital Goods which may be used for multiple Plants

'Capital Equipment' (part of 'Expenses other than Basic Construction Cost Estimate') head shall cover the expenses towards capital equipment which is being purchased by the company. The entire value of such capital equipment shall be debited to this head. The items under this head shall include all construction equipment and machinery having single item (item is the equipment along with its ancillary fittings) value > Rs. 5000 which does not form part of what shall be finally left behind for the project, including:

a. Cranes
b. Hoist
c. DG Set
d. Pumps
e. Electrical machinery & equipment
f. Plumbing machinery & equipment
g. QC equipment
h. Scaffolding set
i. Shuttering material set (other than conventional shuttering)
j. Other Construction Plant & Machinery

The Capital Equipment head shall be initially be equal to the estimated value of the equipments/machinery that the company is likely to buy for the said project, as per the information available at time of setting of Concept Budget. If any equipments/machinery is added to Lodha's scope later, the value for the same shall be reduced from the relevant L3 budget and added to the Capital Equipment head by PCA. Similarly, if any item assumed to be part of Capital Equipment is later put into scope of a Contractor, the Capital Equipment head shall be reduced to that extent and the relevant L3budget shall stand increased. Any capital equipment/machinery brought in from another Lodha site shall be treated as having cost of Rs. 1. All capital equipment/machinery shall be fully expensed (100% value) to the first project for which they are purchased.

For reusable/modular shuttering below mentioned costing system was in place till 2012 – no longer applicable or projects whose Concept budgets are finalized after 31.3.13:

a) For reusable/modular shuttering (eg. Mivan), following costing mechanism to be used:

No. of repetitions with no/minor changes in design	**Cost to be used for purposes of calculation of shuttering cost per sq. ft. (for first use)**
0-25	40% of Capex + applicable modification loss
26- 50	60% of Capex + applicable modification loss
51- 75	80% of Capex + applicable modification loss
> 75	90% of Capex + applicable modification loss

No. of repetitions with no/minor changes in design	**Cost to be used for purposes of calculation of shuttering cost per sq. ft. (for second & further use, post major-modification)**
0-25	(1 – Capex already attributed to previous use(s)) % of Capex x 60% + applicable making costs + applicable modification loss
26- 50	(1 – Capex already attributed to previous use(s)) % of Capex x 80% + applicable making costs + applicable modification loss
> 50	(1 – Capex already attributed to previous use(s)) % of Capex x 100% + applicable making costs + applicable modification loss

The above assumes:

a) Shuttering shall be modified as required till it is used for atleast 100 repetitons. However, each time a major modification is carried out: (i) the '**making costs'** shall be 5% of the original capex (this includes re-design and labour costs). This cost shall be charged to the project in which the shuttering shall be used post-modification. (ii) it shall be assumed that there shall be a '**modification loss'** of about 25% of the shuttering surface area. The write-off value of this 25% shuttering shall be taken as salvage value (10% of capex) and the difference between 'the value prior to major modification' and the 'value post major modification' shall be equally charged to the value of shuttering in the project from where the shuttering comes from and the project in which the shuttering shall be used post-modification. (note – construction mgmt team to ensure that the actual shuttering area loss does not exceed 25%).

b) a salvage value of 10% of capex after 100 or more repetitions).