6.4.13

Budget Types, Changes and Approval Process thereto

Plant Budgets shall be controlled at L1 level, except for following which shall be controlled at the L3 level:

a. Design Discretionary Budget- Allotted for select packages in each plant – Usage norms as defined in 'Const Budget Norms for Expenses other than Basic Const Cost Estimate' policy. (also see note on required approvals below)
b. Construction Discretionary Budget- Allotted at plant level – Usage norms as defined in 'Const Budget Norms for Expenses other than Basic Const Cost Estimate' policy (also see note on required approvals below).
c. HFM Discretionary Budget - Allotted at Project level as part of Infra Plant for that project. Approvals as per norms defined in FAD policy.

The PD/PMH and the PCA shall be jointly responsible for the achievement of the Plant's concept budget.

a. Concept Budget

1. Concept budget is to be derived from a completed concept design package. The concept design package should be made available to PCA atleast 3 weeks prior to Project Sales launch.
2. Unit rates have to be based on a reasoned combination of:
    i. Awarded/budgeted rates in 'like plants' in last 12 months ('like plants' shall be on following basis):
        1. Civil - Building Height (+/- 5 floors)
        2. MEP - Building Height (+/- 5 floors)
        3. Finishing – Segment
        4. Façade – Segment & Building Height (+/- 5 floors)
        5. Infra – Segment and Plot Area
    ii. Procurement Estimates (not exceeding 10% over last awarded rate in last 12 months for a like plant)
    iii. The basic construction budget should estimate costs over the project timeframe and should be based on likely procurement costs over the project's lifespan, not just at the start. In order to achieve this, the budgeted value for each L3 package should take into consideration the estimated time of procurement of the said package/tender and the inflation upto the date of procurement based on historic trends for that L2/L3 package.
3. Plant Concept budget shall be finalized by PCA with contingency @ 9% (5% DD Contingency and 4% Project Contingency). For elements other than basic

construction cost, see '*Const Budget Norms for Expenses other than Basic Const Cost Estimate*'

4. Provisions shall be entered into at L3 level. For defined list of L3 items (tower and infra), please see '*Const Budget Control Heads - Tower and Infra*'.
5. Approval Process
    i. Design review: In presence of HOC's / HOD – Design + Project Design Team
    ii. Finalization review: Post ensuring that Design has done whatever is feasible for value engineering and learning from best practices and same is reflected in budget, the larger discussion should be had in presence of following:
        1. Director – Operations
        2. COO
        3. HOD – Procurement
        4. HOC – PCA
        5. PD/PMH – CM
        6. Project Design Team + HOD-Design & package HOCs – Design
    iii. Final signoff discussion along with Director-Operations.
    iv. Final concept budget should be signed off (in physical form) by HOD-Procurement, HOD-Design, COO and Director-Operations

    PCA would be responsible for ensuring that approval of aforesaid is obtained on project budgets. In case of any difference between the budget approved by Director and that uploaded in SAP, PCA would be accountable for the differences.
6. Same should be uploaded in SAP within 60 days of start of construction activities at site or within 7 days of sign off as per f. above (in physical form) whichever is earlier.
7. No WO/expense should be allowed to be incurred for a site, except Site Establishment Expenses, unless concept budget is uploaded in SAP.
8. Responsibility for this process lies with PCA. They will have assistance from the respective package leads in PCA. The package specialists need to vet and finalize the budget of their respective packages and ensure that all relevant policies and learnings from other projects have been taken onboard into the design.

b. FDD Budget

1. Is a procedural step to ensure that design is in line with the Concept budget. Has to be done by PCA, within 4 weeks of the receipt of a > 90% completed FDD design package for the relevant package.
2. If Package (L2) DD budget is > 5% higher than Package Concept budget, the project budget shall need to be revised by an equivalent amount (with approvals as per d. below). In case there is any excess DD contingency at the end of the DD budgeting exercise, the same shall stand transferred to the Project Contingency (Resp: Budget Controller (typically Data Entry Associate) in PCA)

3. It should be noted that the Concept budget shall be used to determine the project cost and consequently the project's selling price and hence, the FDD budget cannot exceed the Concept budget, except as noted under d. below.
4. Once procurement commences for any L3 package, any shortfall in budget/provision for that L3 package shall be automatically replenished from Project Contingency. If Project contingency is exhausted (i.e <0), the Plant budget will require to be updated as per d. below.
5. PCA will enter scope of work and linked qty/estimated rate at L3 level in the FDD budget ("attachment"). The attachment will also attach the materials that are to be procured by Lodha ("Lodha scope material/LSM") for the purposes of the works in the scope of the said SG3 attachment. These controls do not apply to Sales Office & Sample Flat Plant and Construction Discretionary Budget & HFM Discretionary Budget L2 items, for which no attachments are required.

Design Discretionary Budget:

Design Discretionary Budget can be used anytime post Concept Budget – it applies only to KCA finishing within the building line and Landscape & KCA finishing in the Infra plant.

Change	Approval by
Allocation/use of Design Discretionary Budget	Level 1 of Architecture incharge of the project, through PCA Finishing Package Lead / Landscape package Lead

Construction Discretionary Budget

Construction Discretionary Budget can be used anytime post Concept Budget

Change	Approval by
Allocation/use of Construction Discretionary Budget	PD / CH / DCH (highest level CM associate working full time on the project); PMH can formulate rules for his projects wrt usage and reporting of this budget

Contract Award

DD Budget for the relevant L3 (tender or tender group)	Variation of Likely Award Amount from Contract Value	Approval Authority (in addition to Procurement DOA as per Financial Authority Delegation (FAD) Policy)
Upto 1 Cr	Upto 25%	NA (subject to necessary approvals for budget reallocation)
Upto 1 Cr	Above 25%	PCA (with prior information to PD/PMH (before issuance of

		LOI/WO))
Above 1 Cr	Upto 9%	Procurement Council (with prior information to PD/PMH (before issuance of LOI/WO))
Above 1 Cr	Above 9%	PCA (with prior information to PD/PMH (before issuance of LOI/WO))

c. Amendments:

Lodha Supplied Materials (LSM)

1. CM cannot issued a PR for a LSM unless is it has been attached by PCA as per b. 5 hereinabove.
2. Procurement shall not issue a Purchase order if it is exceeding the budgeted value for the said LSM, without getting an amendment done as per 3 and 7 herein below.
3. Approval matrix for LSM amendments:

Material Type	**Category Characteristics**	**Amendment limit by Commercial Manager (exercising powers of PD/PMH)**
Category A (Steel, concrete, CP/Sanitary fitting)	High cost	0%
Category B (Doors, Electrical, HVAC, Kitchens, plumbing fixtures etc as defined in Annexure 1)	Medium cost or medium estimation variability	10%
Category C (Tiles, Blocks, CP Accessories etc as defined in Annexure 1)	Low cost or high estimation variability	25%

- All amendments above these limits shall require PCA approval. PCA will have special focus on increases > 5% for Category A materials, > 25% for Category B materials and > 50% for Category C materials.

Services

4. CM cannot issued a SR for a service unless is it has been attached by PCA as per b. 5 hereinabove.
5. Procurement shall not issue a work order if it is exceeding the budgeted value for the said SG3, without getting an amendment done as per 6 and 7 herein below.
6. Any amendments to contract's value or qty or unit rate can be requested by Const Mgmt (or Procurement) with approval powers as follows:

Original Contract	**Max. cumulative Increase on account of amendment from original contract**

Value (as awarded)	value which can be approved by Commercial Manager (exercising powers of PD/PMH)
10 L	25% of original contract value
10.01 – 25 L	15% of original contract value or Rs. 2.5 L, whichever is higher
25 L – 50 L	10% of original contract value or Rs. 3.275 L, whichever is higher
> 50 L	5 Lacs

- All amendments above these limits shall require PCA approval. PCA will have special focus on following type of amendments:
    - Original contract value is > 1 cr and amendment leads to increase > 9% of original contract value.
    - Original contract value is < 1 cr and amendment leads to increase >25% of original contract value.

Applicable to Materials & Services

7. No amendments shall be done post-facto by PCAPCA viz. after WO/PO/LOI/equivalent has been finalized/ issued. To support this, all amendment requests to PCA shall be completed in max of 7 days.

d. Plant-level Budget Increase:

1. In case a request is received for plant budget review (L1), following steps are to be followed by PCA:
    i. Check the unit rates and quantities assumed with external benchmarks and historic company data.
    ii. Check whether 'increased' spend on the subject package is justified from a consumer value perception perspective. (refer to '*Perceived Value Matrix'* guidelines).
    iii. Conduct VE for L2 subject package.
    iv. Discuss with design as to whether savings are possible in any other package.
    v. After this is the plant budget is required to be updated, steps d. 3. and 4. hereinbelow are to be followed.
2. Further, Cost to Complete (CTC) review is to be carried out for each plant atleast once every 12 months by PCA and if it appears that CTC shall exceed the concept budget (as may have been modified as per d 1.), steps d. 3. and 4. hereinbelow are to be followed.
3. Any plant level budget increase requires approval of of Director-Operations.
4. Increase in plant budget, if any, are to be intimated to Marketing within 7 days of approval by Director-Operations.
5. PCA shall keep track of all budget revisions and dates thereto for each plant in an easily referable format.

6. Further, in the event that there is any stoppage of work on the plant for land or liaison reasons for a period > 30 days, steps 3, 4 and 5 are to be repeated.

Notes:

1. Commercial Manager will need to be of Level 2A or above to exercise powers under this policy.
2. If a project does not have a PD or PMH, the concerned powers shall be delegated upwards to COO.

Reference Documents for Clarity:

a. PCA
    a. Plant - Definition
    b. Const Budget Norms for Expenses other than Basic Const Cost Estimate
    c. Const Budget Control Heads - Tower and Infra
b. Design
    a. Common Areas - Category Definitions

Following PCA policies shall no longer be relevant and are subsumed into this policy:

a. Budget modification – steps to be followed
b. Budget Reallocation Limits
c. Budget Monitoring Process
d. Budget Heads

Annexure 1:

Material group as per Old Material Master Grouping (Table 1) and the New Material Master Grouping (Table 2)

Table 1: Old Material Master Grouping

Material Group	Material Group Description	Description 2 for the material group	Threshold (%)
Category A			
113	Civil Works	Precast RCC	0%
310	Concrete	Concrete	0%
320	Reinforcements	Reinforcements	0%
340	Precast Concrete	Precast Concrete	0%
510	Struc. Metal Framing	Structural Metal Framing	0%
2230	Plumbing Equipments	Plumbing Equipments	0%
2240	Plumbing Fixtures	Plumbing Fixtures	0%
R0321	Reinforcements-TOR	Reinforcements-TOR	0%
Category B			
202	Finishing Work	Wooden Sections	10%
206	Finishing Work	Ready Made Doors	10%
230	Finishing Work	Carpets	10%
390	Shuttering Materials	Shuttering Materials	10%
501	Electrical	Substation	10%
550	Metal Fabrications	Metal Fabrications	10%
590	Roofing	Roofing	10%
620	Finish Carpentry	Finish Carpentry	10%
640	Arch. Woodwork	Architectural Woodwork	10%
680	Composite Fabricns.	Composite Fabrications	10%
690	Wood and Timber	Wood and Timber	10%
701	Fire Fighting	Fire Extinguisher	10%
820	Doors	Doors	10%
840	Curt. Walls &Entrnc	Curtain Walls and Entrances	10%
850	Windows	Windows	10%
870	Hardware	Hardware	10%
880	Glazing	Glazing	10%
930	Tiling and Flooring	Tiling and Flooring	10%
1120	Commercial Equipment	Commercial Equipment	10%
1130	Residential Equip.	Residential Equipment	10%
1140	Food Service Equip.	Food Service Equipment	10%

1150	Edu. & Sci. Equip.	Educational and Scientific Equipment	10%
1160	Entertainment Equip.	Entertainment Equipment	10%
1404	Quality Equip & Acc	Guages& Meters	10%
2120	Fire Ext. Sys.	Fire Extinguishing Systems	10%
2130	Fire Pumps	Fire Pumps	10%
2210	Piping and Pumps	Piping and Pumps	10%
2305	HVAC Works	HVAC Works	10%
2550	Intg Auto. Fac.Cont.	Integrated Automation Facility Controls	10%
2605	Electrical Work	Electrical Work	10%
2610	MV Elect. Distn.	Med. Voltage Electrical Distribution	10%
2620	LV Elect. Distn.	Low Voltage Electrical Distribution	10%
2720	Data Communications	Data Communications	10%
2730	Voice Communications	Voice Communications	10%
Category C			
112	Civil Works	Masonry	25%
228	Finishing Work	Partitions	25%
405	Masonry	Masonry	25%
920	Plastering & Gypsum	Plastering and Gypsum Boards	25%
970	Wall Finishes	Wall Finishes	25%
1420	Elevators	Elevators	25%
1430	Escalators	Escalators and Travalators	25%
1440	Lifts	Lifts	25%
1490	Other Convey. Equip.	Other Conveying Equipments	25%
1701	Infra Str Facilities	Gym Equipment	25%
2650	Lighting	Lighting	25%

Table 2: New Material Master Grouping

Material Group	Material Group Description	Threshold (%)
Category A		
7009	Concrete	0%
7016	CP Fitting	0%
7059	Sanitary ware	0%
7064	Steel	0%
Category B		
7003	Brown Goods (Small Appliances)	10%
7004	Carpentry	10%

7012	Construction Plant and Machinery	10%
7019	Door / Window Hardware	10%
7020	Door Frame	10%
7021	Door Shutter	10%
7023	Electrical	10%
7024	Electrical Panels	10%
7033	HVAC	10%
7035	Interior Furnishing & Accessories	10%
7045	Modular Kitchen	10%
7051	Piping and Fixtures	10%
7052	Plumbing	10%
7053	Power Backup Systems	10%
7054	Prefabricated	10%
7055	Pump	10%
7063	Specialist Formwork	10%
7065	Stone	10%
Category C		
7001	Architrave	25%
7002	Broken Tiles	25%
7005	Cement	25%
7006	Cement Additives	25%
7007	Children's Play Equipment	25%
7008	Commercial Appliances	25%
7013	Consumer Electronics	25%
7014	CP Accessories	25%
7015	CP Extensions	25%
7017	Curb stone	25%
7022	Earthing	25%
7025	Electrical Tools	25%
7026	Flooring	25%
7028	Furniture	25%
7029	Galvanised Iron	25%
7031	Gym Equipment	25%
7040	Lighting	25%
7041	Lightning Protection	25%
7042	Lipping Patti	25%
7043	Masonry	25%
7044	Mild Steel	25%
7048	Outdoor Accessories	25%
7050	Paver blocks	25%

7057	Ready Mix Plaster	25%
7061	Security Equipment	25%
7062	Spa Equipment	25%
7066	Storm Drainage	25%
7069	Tiles	25%
7070	Upholstery	25%
7072	Vertical Transport	25%
7073	Wall Paper	25%
7074	Water Filtration	25%
7075	White Goods (Major Appliances)	25%