Budget Types, Changes and Approval Process thereto

Plant Budgets shall be controlled at L3 level.

The Architecture incharge will be 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 DCO at least 3 weeks prior to Project Sales launch.
2. Unit rates have to be based on a reasoned combination of:
    i. Overall Cost of 'like' plants (adjusted for inflation basis start year). Like plants to be decided basis:
        1. Segment (residential – luxury, premium (hi-end), aspi, casa, crown, plotted & villas; office – Excelus, iThink, Supremus/Signet, retail – experia, boulevard (high street)).
        2. Building height (within +/- 5 floors)
        (Refer Annexure for example)
    ii. 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
    iii. Procurement Estimates (not exceeding 10% over last awarded rate in last 12 months for a like plant)
    iv. 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. The following checks need to be made while creating the concept Budget

Present Value of Construction cost at the time of OC to be calculated calculating the value @ company's average cost of borrowing (13% p.a. in 2017). VE options and cost of changes to be reviewed from perspective of PV at OC.

i. The following metrics to be reviewed for 'like plants' (defined in 2.i above)
    1.

FSI Efficiency (B/A)	Floor Inefficiency (E/C)	Building Inefficiency (F/B)	Passage Inefficiency (D/C)

2. Built up area per covered car park and cost per covered car park
3. Material coefficients (Design drivers) & comparative costs at constant rate of materials, compared across similar/like projects.

4. Plant Concept budget shall be finalized by ~~PCA~~ DCO with contingency @ 12% (6% Design Contingency and 6% Execution Contingency (which covers both Procurement and Construction related cost increases over estimate)). For elements other than basic construction cost, see '*Const Budget Norms for Expenses other than Basic Const Cost Estimate*'
5. 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*'.
6. 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. Regional CEO
        2. COO
        ~~3.~~ DCO lead
        4. PD/PMH – CM
        5. Project Design Team + HOD-Design & package HOCs – Design
    iii. Final signoff discussion along with Regional CEO.
    iv. Final concept budget should be signed off by HOD-Design, Regional COO and Regional CEO

    DCO would be responsible for ensuring that approval of aforesaid is obtained on project budgets. In case of any difference between the budget approved by Regional CEO and that uploaded in SAP, DCO would be accountable for the differences.
7. 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 iv. above whichever is earlier. Likewise, after the approval of the budget at each stage as per b, c and d below, the budget should be uploaded in SAP by DCO within 7 days of the approval/Sign off.
8. No WO/expense should be allowed to be incurred for a site, except Site Establishment Expenses, unless concept budget is uploaded in SAP.
9. Responsibility for this process lies with DCO . The package specialists in DCO 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 DCO (Design Cost Optimization), within 4 weeks of the receipt of a > 90% completed FDD design package for the relevant package.
2. If Package (L2) DD budget is > 6% higher than Package Concept budget, the same shall be first funded by Design contingency and if further required, 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 Execution Contingency (Resp: Project Lead in DCO)
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 Execution Contingency. If Execution contingency is exhausted (i.e <0), the Plant budget will require to be updated as per d. below.
5. DCO 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.

c. CTC Budget (Cost to Complete Budget)

1. Cost to Complete (CTC) review is to be carried out for each plant atleast once every 12 months by Project Commercial Team:

- **i.** if it appears that CTC shall exceed the budget (as may have been modified as per d 1.), steps d. 2. and 3. here in below are to be followed.
- **ii.** if there is any decrease in budget estimate at plant level the same to be approved by Regional CEO and to be communicated to DCO & MIS (which enables further communication to relevant business teams).

2. First CTC carried out by project commercial team after handover of FDD budget from DCO team will be reviewed by DCO team. Further, DCO team shall review CTC once every 12 months for each plant and ensure that 1. is adhered to.

3. Cost to Complete (CTC) review, would need to be calculated at BOQ item level for all plants where expected end date is greater than 6 months. CTC based on SAP dump adjustment can only be used for plants which are due for completion within 6 months.

d. Plant-level Budget Increase:

1. In case a request is received for plant budget review (L1), following steps are to be followed:
    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. 2. and 3. Here in below are to be followed.
2. Any plant level budget increase requires approval of Regional CEO. Any increase in budget > 5% of original concept budget requires profitability (PBT and IRR) evaluation to be done by RCEO/DCEO and shared with MIS
3. Increase in plant budget, if any, are to be intimated to Marketing within 7 days of approval by Regional CEO.
4. Commercial Manager shall keep track of all budget revisions and dates thereto for each plant in an easily referable format.
5. 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 2, 3 and 4 are to be repeated.

e. Budget transfer from completed plant :

As each plant is a separate profit centre in itself, the leftover budget of the completed plants are to be removed from SAP immediately after closure of that plant (i.e. 6 months after issuance of First PDL)and not to be transferred to the under construction plants. Exception: The unused CM discretionary budget of a plant, if any, shall be transferred to Infra plant of that larger project by DCO without any approval.

ANNEXURE

Description	Upper Thane Sereno A1	Mira Road Phase 1 T1	Mira Road Plot 2 T1
	DD April 2022	DD Jan 2020	Concept Mar 2022
No. of Floors	G+19	G+23	G+30
Segment	Casa	Casa	Casa
Structure			
Finishing			
Façade			
Services			
Infra with CM control			
KCA			
Subtotal ex contingencies	-	-	-
Contingencies			
Total with contingencies	-	-	-
***Total with Contingencies to be adjusted to inflation upto Start Date**			
Design Inefficiency			
Loading Factor			
FLO / FML			
Steel Co-efficient (Kg/Sft)			
RMC Co-efficient (Cum/Sft)			
Steel Rate (Rs. / Ton) incl. GST			
RMC Rate (Rs. / cum) incl. GST			
No. of Car park			
Area / Car Park (BUA sqft.)			
Cost per car Park Rs.			
Parking cost on GW			

All figures are with respect to the GW and including Taxes

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
    d. Budget Reallocation Limits
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 Monitoring Process
c. Budget Heads