28.10.17

**Budget Reallocation Limits**

Focus of this document is the approval mechanism during Contract Award, Contract Amendment and Budget reallocation during a project life cycle. Major assumptions are as below:

- Architecture Lead is responsible for budget up to DD
- PD is responsible for the budget post DD handover
- The CRN system will be simplified to reduce day-to-day amendment approvals.

## 1. Contract Award Approval Matrix

| **Variation of Likely Award Amount from Contract Value** | **Approval Authority (in addition to Procurement DOA as per Financial Authority Delegation (FAD) Policy)** |
|---|---|
| Rs 10,000 or 0.25% of Budgeted value | Package Head (with prior information to PD/PMH (before issuance of LOI/WO)) |
| 1% of Budgeted Value | HOD-Procurement (with prior information to PD/PMH (before issuance of LOI/WO)) |

The Variation amount to be utilised from execution contingency

## 2. Amendment approval matrix

The below amendment approval limits are applicable for non-KCA plants and Entrance lobbies of CASA projects. For KCA plants (includes Clubhouse; Temple; Landscape excluding civil, waterproofing & services) & non-CASA Entrance lobbies, the budget transfer and amendment approval rights (CRN/QCRN approval in current process) are retained with DCO team.

**A. Limits for amendment approval for services by Commercial Manager:**

| **Original Contract Value (as awarded)** | **Max. cumulative Increase on account of amendment from original contract value (Due to additional scope or rate variations)** |
|---|---|
| 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 |

- Where only quantity variation occurs, variation at any value can be approved by commercial manager (Subject to budget reallocation process)
- All amendments above these limits shall require PD/COO* approval

**B. Limits for amendment approval for Lodha Supply Materials by Commercial Manager**

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

- All amendments above these limits shall require PD/COO* approval.

## 3. Budget Reallocation Process

The value and type of allocation for the various contingencies (beyond the basic construction cost for each plant) are:

- DD Contingency – 6%, allotted at L1 level
- Execution Contingency – 6%, allotted at L1 level
- Construction Discretionary Budget- Allotted at plant level – Usage norms as defined currently
- Design Discretionary Budget- Allotted for select packages – Usage norms as defined currently
- HFM Discretionary Budget - Allotted at Project level as part of Infra Plant for that project. Approvals to be handled as per norms defined in FAD policy.

Note: Inflation upto expected point of award is already taken into account in the individual L3 package budgets.

### DD Contingency:

DD Contingency is primarily to be used between the period of Concept Budget finalization and (95%) completion of DD for that package. Once DD for a L1 package is completed, any surplus amount of DD contingency shall be moved to Execution contingency budget.

| Change | Approval by | Key questions by approver |
|---|---|---|

| | | |
|---|---|---|
| Use of DD contingency within a L1 package | • Design cell package Lead + DCO package Lead + Architecture cell project Lead through DCO project Lead<br><br>All leads to be level 2 or higher | • Has complete value engineering been done and no further reduction in budget feasible |
| Allocation of DD contingency of one package to another | Level 1 of Architecture incharge of the project, through DCO Project Lead. | • Is contingency within L1 package not sufficient<br>• Is contingency remaining, sufficient for the package from which budget being moved |
| Plant budget increase due to DD contingency being exceeded | RCEO as per 'Budget modification – steps to be followed' policy | • Entire budget reviewed for VE options & reallocation within plant budget |

## Design Discretionary Budget:

DesignDiscretionary 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 DCO Finishing Package Lead / Landscape package Lead |

## Construction Discretionary Budget

ConstructionDiscretionary 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 |

## Budget change for any L3 tender group on account of Contract Award or Amendment

| Change | Initiator | Approver |
|---|---|---|
| Reallocation to different contracts within L3 tender group | DCO project Lead for the package (prior to award of all the contracts in a L3 | Approval not needed |

| | | |
|---|---|---|
| | tender group) OR Commercial Manager (anytime) | |
| Allocation of Execution contingency to L3 tender group | Commercial Manager | PD/COO* |
| Plant Budget Increase (if project contingency available for a given tender is exhausted) | Commercial Manager | RCEO (adjustment in SAP done by DCO) |

***** For projects which do not have a PD.

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% |