LODHA

BUILDING A BETTER LIFE

PROCEDURE MANUAL FOR HANDLING & SALE OF SCRAP

VERSION HISTORY

#	Version #	Description of Changes	Modified by	Date	Approved by
1	001	<First draft>		22.11.2012	(Abhisheck Lodha)
2	002	Changes in Form F0, clarification about Hyderabad and Pune, Clarity regarding settlement of accounts with purchaser for each transaction, cash transaction to be stopped, Approving authority	Vivek Sinha	23.01.2013	Tikam Jain
3	003	Changes in Form F1,timeline fixed for refund process by accounts, timeline fixed for providing invoices to procurement by accounts, tolerance in estimated vs actual scrap qty defined, designated area for scrap storage, list of weighbridges, rate validity defined	Vivek Sinha	18.11.2013	Tikam Jain

1. **Purpose: To streamline the process of identification, collection, authorization and disposal of all scrap material at project site and enable proper accounting for reconciliation of material.**

2. **Scope: All project sites under all Lodha group companies, except Hyderabad and Pune**

3. **Responsibility: Overall responsibility with Material Management (Stores) and Construction Management, with shared responsibility of Procurement and Accounts. Responsibility for individual activities is shown in 'responsibility matrix' (Annexure A)**

4. **Definitions:**

Scrap means any material/equipment or part of it which has lost its value/utility due to either of these:

a. **Excessive wear and tear**
b. **Outlived its useful life**
c. **Deterioration, degeneration, corrosion, contamination or aging.**
d. **Improper storage, handling or damage caused during transit.**
e. **Rendered unusable due to change in its size, form, color or chemistry .**
f. **Being leftovers which can't be used anywhere**
g. **Being discarded packages after they are opened**
h. **Being too difficult and costly to handle and / or store (at same site or even for transfer to virtual store) and hence cheaper to sale off as scrap**

<u>Disposal:</u> Means an action to discard and remove permanently either for a consideration or without , from the place it is identified and collected.

<u>Weighing bridge:</u> Means nearest company's owned weighbridge which is not farther than 10 kms from the place of origin of the slab or in its absence the external weighbridge expressly approved by the head of procurement or head of stores.

4.1 Classification of scrap

Generally following material shall be classified as scrap and the authority to classify it as such shall vest in the official mentioned against respective item

S N	Description	Unit	Authority to classify as scrap
1	Empty cement bags , gypsum bags , sand bags	Pieces/Kg	Stores in-charge
2	Empty cartons of tile boxes, electrical switches , AC units etc	Pieces or weight	Stores in-charge
3	Packing material used in crating of lift equipment , packaged marble	weight	Stores in-charge
4	Reinforcement steel rods cut pieces lesser than 1.5 mtrs in length or structural steel cut offs shorter than 5'	weight	Project manager
5	Granite or marble pieces lesser than 25 mm in width.	Truckload/ weight	Stores in-charge
6	Aluminium formwork which is bent, dented , or damaged	weight	Project manager and Proc i/c for Alimunim formwork

7	Empty containers of construction chemicals , paint, wooden rollers of the cables ,damaged GI sheets , broken furniture , discarded spares etc	Nos/ weight	Stores in-charge
8	Discarded samples , pipe cut pieces , cable wastages , material retrieved from demolition and any other material not included above	weight	Project manager and Proc i/c of the project

4.2 Process Flow: (also refer Flow chart in Annexure C)

- **Stores in charge and Project Manager will identify scrap during their inspection of the site, and ensure its proper collection and storage from time to time**
- **Identified scrap, kept at designated and demarked space with barricading and lock and key, shall be in the custody of Material Mgt.-I/c.**
- **The stores in charge shall prepare a statement of accumulated scrap in *Format F0* (Annexure D), giving the quantity wherever possible and classifying category of scrap assigned, along with the Project Manager**
- **In the form F0, the condition of scrap has to be mentioned (for example whether steel require gas cutting, whether the wooden boxes are broken, whether cement bags are torn)**
- **If the scrap falls under *'miscellaneous scrap' category* as specified the procurement team, the stores in charge, after prior intimation to the Procurement lead, can sell if off to a 'approved scrap purchaser' (Specified by Procurement). The procurement team shall fix the rates for miscellaneous scrap every two months**
- **For any other category of scrap, a statement *(Format F0 – Annexure D),* duly authorized by all concerned, shall be forwarded to Procurement Lead for finalizing purchaser and rates. All sale of scrap, irrespective of the value, has to be done only after prior approval/rate finalisation from the Procurement team**
- **There will be a centralised selling of scrap in order to get better rates. Scrap rates will be finalised twice every month – once on 15th and once on 30th of every month. €€**
- **A minimum of 3 quotations has to be invited by procurement before finalizing rates. In case of site specific urgencies where scrap has to lifted immediately, procurement can take an exemption if substantiated with a written request from site in this regard and approval of Procurement Level-1**
- **Names of approved customers and agreed rates per unit for each material shall be entered by procurement (Level 2 till Rs 10 Lacs, Level- 1 for 10 lacs to 25 lacs, and Level 0 for 25 lacs and above) in *format F0*, and sent to the stores in charge**
- **The rates finalized by the procurement team will remain valid for 45 working days , unless otherwise intimated by the procurement lead**
- **In accordance with the approval of procurement, stores in charge shall collect the payment from customer (as per instructions given in Annexure B) through Demand Draft in the name of respective project company**
- **Quantity of the scrap will be ascertained by the stores in charge jointly with representatives from Construction Management nominated by the project manager .**

In case of site specific urgency, requests for selling of scrap will be addressed on priority basis, if substantiated with proper communication from the Project Manager to procurement mentioning the nature of urgency. However, more than four incidents in an year will attract review by HOD Procurement

These will be entered into the format F0 and signed off by both Project Manager and Store in charge

- An upward deviation of 30% in the actual quantity (ascertained after weighment) versus the projected quantity is allowed, and would not require any approval. An deviation above 30% would require written intimation from stores i/c & Project Manager and approval from Procurement category manager
- Material requiring weighments (both empty and laden) shall be weighed only on authorized weighbridge in presence of stores and CM
- List of authorized weighbridges will be maintained and released by the COO's office
- Receipts will be given to vendor mentioning type , quantity , rate and amount by the stores. Subsequently, the purchaser shall be allowed to take away the scrap
- Stores i/c shall duly endorse the receipt *(format F1 – Annexure E)* and obtain customer's signature of having received the scrap and send the same to Accounts alongwith weightment slip and gate pass
- All documents (F0, weighment slip, F1, and DD for complete amount) are sent to be accounts after completion of the transaction, as one set.
- Accounts, after reconciling F0 and F1, will book the credit for the project
- Accounts shall refund the excess amount to the purchaser within 10 days
- Credit advice shall be entered in SAP against respective work item and F0 and F1 shall be stamped as 'Credit Entered ".
- Account shall send the invoices to Procurement every 15 days. Procurement has to send these invoices to purchasers

Note- if the purchaser does not starts lifting the scrap within 7 working days from rate finalization, procurement to finalize another purchaser

4.3 Flow of Documents

- Stores /site send form F0 to procurement 4 Procurement sends back form F0 with approved rates and purchaser's name to stores 4 Procurement informs purchaser to collect scrap 4 Stores coordinates with Purchaser, collects DD from Purchaser, sells scrap, prepares Form F1 and get Purchaser's sign & stamp 4 stores send completed Form F0, Form F1, DD and weightment slip directly to Accounts

5. Document Control

S No	Record	Identification/ traceability	Maintained By
5.1	Comparative Statement, quotes from Purchasers	By Form F0 number	Procurement
5.2	Form F0, Form F1, weightment slip, Gate pass	By Form F0 number	Accounts (Copy with stores)
5.3	Credit Advice/Sales order	By Form F1 number	SAP
5.4	List of Approved scrap customers	Common for all project, except Hyderabad & Pune	Procurement

Document numbering

- **Form F0 and Form 1, both must carry a unique number in this format.Form F1 must carry the reference of Form F0 (for rate and quantity reference purposes.**

Sale order must carry the reference of form F1. Please note that there could be more than one Form F1 against one Form F0 (if the transaction against one Form F0 is broken into parts)

Form F1 number is to be entered in SAP while making the sale order

Format for Form F0 - *F0/ <Company name>/<Project name>/<three digit number>*

Format for Form F1 – *F1/ <Company name>/<Project name>/<three digit number>*

Form

For example, the first F0 raised after October 1st 2012 by Casa Rio site will carry the following unique number

F0/LDL / Casa Rio / 001

- **Scrap sale order must carry a reference of the Form F1 for ensuring transparency and traceability**

Annexure A: Responsibility Matrix

Activity	Responsibility
Identification of scrap	Stores i/c + PM
Providing demarcated space for scrap storage	PM
Classification of scrap	Stores i/c + PM
Custody of scrap	Stores i/c
Quantity ascertaining	Stores i/c +PM
Generating form F0, with scrap type and quantity	Stores i/c
Floating enquiry, preparing comparitive statement	Procurement
Finalising Purchaser & rates, filling these details in Form F0	Procurement
Receipt of DD from Purchasers	Stores i/c
Ascertaining actual quantity by weightment	Stores i/c + PM
Collecting differential amount (if any) from Purchaser	Stores i/c
Generating Form F1, taking purchaser's sign	Stores i/c
Sending all documents, DD to Accounts	Stores i/c
Account reconciliation	Accounts
Refunding balance (if any) to Purchaser within 10 days	Accounts
Maintaining record of Comparative statement	Procurement
Follow up with Finalised Purchaser	Stores i/c

PM= Project Manager

Stores i/c = stores in charge

Annexure B: Instructions regarding collection of payment from Purchasers

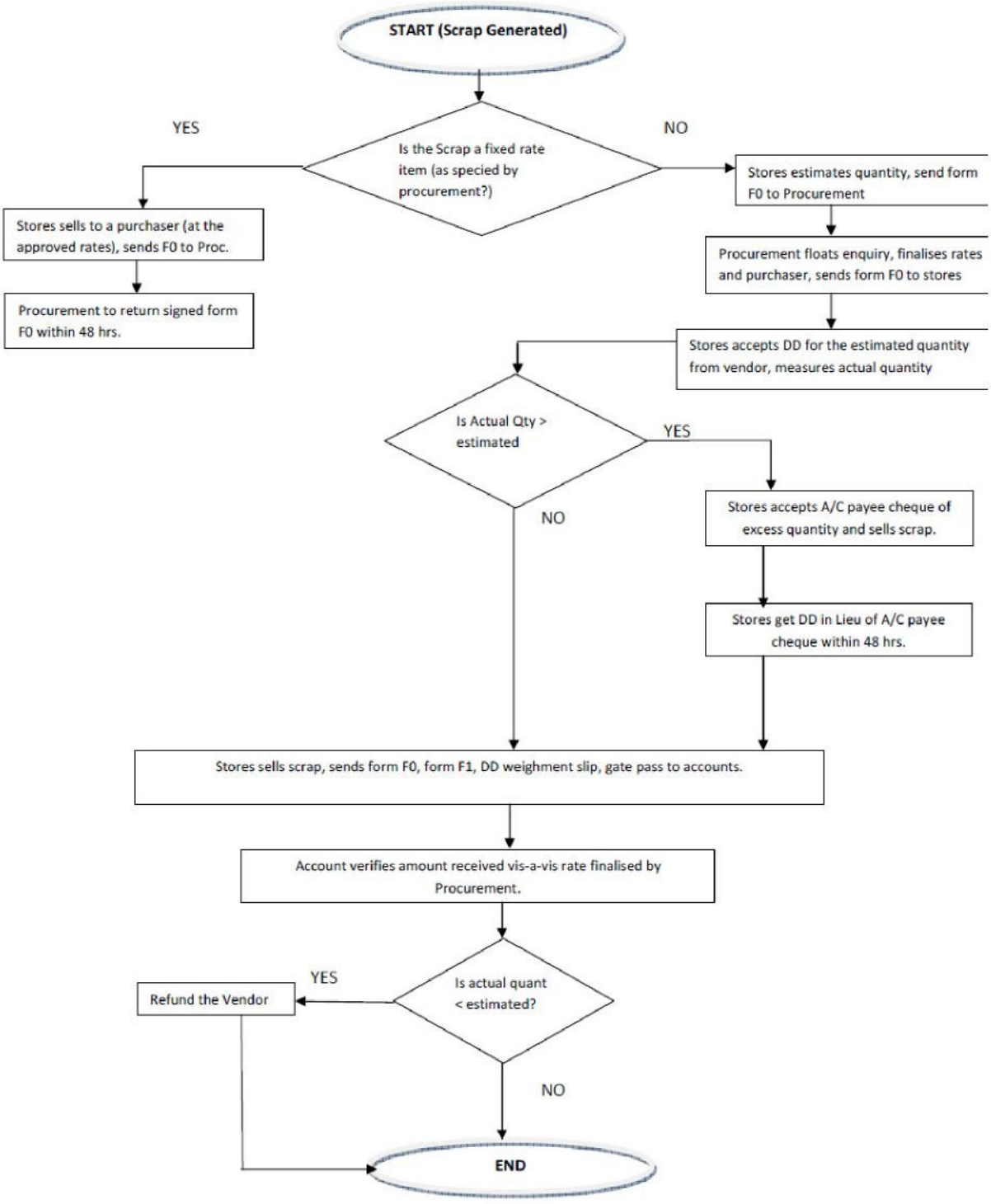
1. All approved scrap buyers are required to submit INR 2 lakhs with us as security deposit on their empanelment. This deposit has to be maintained with us at all times and not to be adjusted against any transaction. Till further notice, Hyderabad and Pune Purchasers have been exempted from this. Any exemption in this regard is to be granted by Procurement

2. The material management will collect a Demand Draft from the Purchaser of a value that is equal to the amount mentioned on Form F0

3. If the actual weighment quantity is higher than estimated quantity (mentioned on Form F0), the site can sell the scrap, after prior approval from procurement category manager, and accept an account payee cheque in the name of respective project company for the excess quantity.

4. This A/C cheque accepted only as security deposit. Stores has to ensure that the scrap purchaser submit a DD for the excess quantity (in lieu of the AC payee cheque) to the stores and take back the cheque

Annexure C: Process Flow chart



FORM F – 0

TO BE ISSUED UNDER THE PROVISION OF POLICY FOR DISPOSAL OF SCRAP

FORM NO.: _____/_____/_____ DATE:

<Company> <Project> <3 digit no.>

NAME OF PROJECT

LOCATION

Sr No	Material Identified as Scrap	Unit	Quantity		Rate	Amount	Approved Purchaser
			Actual	Estimated			
To be filled by:	Stores	Stores	Stores	Stores	Procurement	Stores	Procurement

Amount received in advance for disposal of scrap – Rs. _____

STORES INCHARGE PROJECT MANAGER PROCUREMENT

DOCUMENT FLOW: STORES → PROCUREMENT → STORES → ACCOUNTS

Annexure E: Form F1

Form F1 NO: (to be mentioned in Sale order):
Date: **Ref Form F0 No (for rate reference only) :**

(Authorisation for disposal)

TO BE ISSUED UNDER THE PROVISION OF POLICY FOR DISPOSAL OF SCRAP
(This form will be sent by stores to Accounts after Sale of Scrap)

RECEIPT OF MATERIAL
[I HEREBY ACKNOWLEDGE THAT I HAVE RECEIVED THE SCRAP OF FOLLOWING DESCRIPTION AS PER QUANTITY MENTIONED AGAINST EACH]

Sr. No.	Description of Scrap Material Received	Unit	Qty	Rate	Amount
	Total				

AMOUNT OF SCRAP SOLD : INR _____
DD AMOUNT RECEIVED : INR _____
REFUND TO PURCHASER : INR _____

WEIGHMENT SLIP NO.:
(Weighment Slip need to be enclosed)

WEIGH BRIDE ADDRESS :

RECEIVED ABOVE MATERIAL

PURCHASER
(Sign & Stamp)

STORES INCHARGE

PROJECT MANAGER