TRANSFER OF SURPLUS MATERIAL TO OTHER SITES (THROUGH VIRTUAL STORES OR OTHERWISE)

Objective :- Objective of this policy is to quickly identify material that has been rendered surplus and upload its availability in the system so that requirement for the same in some other project can be met with, avoiding fresh procurement and inventory build up.

The material that has been rendered surplus due to design / procurement strategy changes or has remained excess on completion of project or particular activity shall be transferred to Virtual Stores (and through Virtual Stores to another site) subject to its meeting following requirements :-

1. It cannot be returned to supplier.
2. It is not required in any other building in the same project or any other work in the same project (including by giving it to a with material contractor and debiting him at actual cost for the same).
3. The material has sufficient shelf life and is not likely to deteriorate for atleast 60 days from the date of its transfer to Virtual Stores.
4. The material is in good usable / installable condition without any damage due to storage or handling.
5. Use of the material at other project shall not in any way compromise the quality of work or functional efficiency of the system for which it is proposed to be used.
6. Cost of handling and transportation from source project to Recipient project including entry tax / octroi of the material is not likely to be more than 20% of the cost of the item. (this excludes any VAT/GST on account of inter-company transfers).

In respect of certain key materials, following guidelines shall be observed to determine whether the items mentioned can be transferred to Virtual Stores :-

- Cement :-
  Manufacturing date is not earlier than 6 weeks from the date of transfer to Virtual Stores.

- Construction chemical :-
  The date of expiry is not earlier than 2 months from the date of transferring to Virtual Stores. Partly consumed containers will not be transferred.

- Reinforcement steel :-
  Bars with dia 20mm and above – length not less than twice the lap length.
  Bars less than 20mm dia, length not less than 4 meters. Minimum stock not less than 1 MT.

- Structural steel :-
  Length not less than 3 meters. Minimum stock not less than 0.5 MT.

- Electrical cables :-
  Length not less than 10 meters.

- Electrical wires and conduits :-
  Full length and full roll.

- Pipes :-
  Not less than 3 meters in length.

- Marbles & granites :-
  The size of the slab should be such that minimum 4 sq. ft. tile can be cut from the slab with 80% yield.

- Mivan shutters :-
  The parts which have bent dented or broken or where welding is damaged are not to be transferred.

- Any other items :-
  Transfer to Virtual Stores permissible if they are in compliance with criteria 4-6 above, as per the Const Mgmt Incharge or MM Incharge of the source project. Level 2 or higher of MM is entitled to return any material back to project MM of the source project, within 15 days of earmarking of such material to Virtual Stores, if these criteria are not met.

It is to be noted that transfer to Virtual Stores is not a physical transfer (material will continue at the source site) but just a way of earmarking material that is no longer to be used as the Source Project and is available for usage at any of other Lodha site (Recipient Project).

All material earmarked for virtual stores and not physically transferred to a Recipient Project shall continue to be counted towards inventory at its cost price. Once the material is physically transferred to the Recipient Project, the inventory shall be valued at its transfer price (60% of original cost) and balance shall be debited to the P/L of the Source Project.

In order to establish optimal use of virtual store inventory, following additional norms are to be followed:

a. All MM inventory (project or virtual) should be physically moved out of the site within 6 months of the date of start of possession of the last building in the said development.
b. When material is transferred to Virtual Stores, there shall be no incidence of sale and the material shall continue to be held as stock/inventory in name of the company which is executing the source project (but the system will earmark the same as 'Virtual Stores inventory). The said material(s) shall be held in Virtual Stores @ 60% of the CTC (cost to company) at time of acquisition. The balance 40% shall continue to remain debited to the source project. Further, the cost of transportation (and linked costs like Octroi) of the material from the source project to the Recipient project shall also be debited to the source project. In terms of quantity of the said material, actual physical quantity available for transfer in good condition shall be credited to the source project and debited to Virtual Stores (and thereafter to the Recipient project). Virtual Stores shall sell goods to the Recipient project at the same cost that it acquires/holds them at.
c. HOC-MM shall be responsible for ensuring optimal utilization of inventory available in Virtual Stores, including by co-ordination with Procurement and Design. HOC-MM shall provide following details to COO within 15 days of end of each quarter: Opening stock value, value of materials added during quarter, value of materials consumed (transferred to Recipient project) during quarter, Closing Stock value. COO shall ensure that this level is optimal and in line with

the overall pace of construction by the company. Accounts MIS team shall also monitor these levels to ensure optimal utilization.

d. The material code system will have to simplified (currently almost 10,000 material codes are in use) to ensure appropriate ability to understand and group inventory in Virtual Stores.

e. For the purposes of procurement, the source project (through Virtual Stores) shall act in a manner similar to a a vendor (aka China Procurement Office). Whenever PR is received, the system will check available inventory in Virtual Stores and try to find a match. If match is found, the quantity available in Virtual Stores will be ordered by Procurement via a PO to Virtual Stores (@ the value specified in b. above) and balance quantity of the PR shall be shown as pending quantity of the PR which will then be processed as per regular Procurement system. The PO to Virtual Stores will go to HOC-MM, who will then have the same processed through MM I/C of the site where the inventory is physically lying by transferring inventory to the Recipient project and getting challan etc. signed accordingly. *(To be checked with IT as to how to enable this).*

f. When inventory is > 120 days, it will be responsibility of the MM team to coordinate with design and CM and ensure usage within next 60 days. If inventory > 180 days is not in line with inventory target > 120 days, 50% of the quarterly bonus of the MM team at that site will be reduced.

g. Central Warehouse only at Palava.

Process flow chart is given below :-

FLOW CHART

	Action by
Project Manager identify surplus material from ageing report and criteria defined in this policy	PM
↓	
MM incharge is given the list of material identified as surplus	PM
↓	
↓	
↓	
Material is transferred to Virtual Stores	STORE I/C
↓	
	STORE I/C
↓	
Every time an order is processed, system checks whether equivalent material code inventory is available in Virtual Stores. If no, PR is processed as per normal. If yes, PO for quantity available in Virtual Stores is sent to Virtual Stores (HOC-MM) and balance quantity is processed by Procurement as per normal process. (see details as per e. Above)	GM (PROC)
↓	
On receipt of PO for material lying in Virtual Stores, HOC-MM shall direct the said PO to the MM I/C of the site where the material is physically lying and the said material shall be physically transferred to the Recipient project. Necessary process like challan, payment of govt levies/taxes in case of inter-company transfer shall be completed. Simultanesouly with such sales, stock struck off from inventory in Virtual Stores	HOC MM
↓	
Invoice is prepared by MM and sent to accounts for book adjustment, with copy to Procurement	HOC MM
↓	
Necessary book entry is passed by Accounts.	