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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:

- PD is responsible for the budget
- The CRN system will be simplified to reduce day-to-day amendment approvals.

1. Contract Award Approval Matrix

Concept 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))

2. Amendment approval matrix

A. Limits for amendment approval for services by PD/PMH (Commercial Manager to exercise this power on behalf of PD/PMH):

Original Contract Value (as awarded)	**Max. cumulative Increase on account of amendment from original contract value (when change in scope/rate)**
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 above original contract value

In case of amendment only being in existing quantities, variation can be approved by PD/PMH for any value, provided the following documentation is available to facilitate a post facto audit:

- **Consolidated Measurement Sheets:** Measurement sheets duly signed by CM team supporting the Qty Variations should be maintained. Measurements should be consolidated and not partial for comparison with initial Qty takes off.
- **Variations due to rework:** In case of rework Documentation in form of pictures and measurements of area to be redone along with reason for re-work being carried out.
- **Variations due to de-scoping of a vendor:** In case of Qty Variations due to de scoping of other vendor, short closed work order of that vendor needs to be kept for record.
- **Design Variations:** In case of increase in Qty due to design changes, the change needs to be documented with approved VFC/shop drawings and all mail instructions from design team.
- Material delivery challans
- In case of variation between shop drawings and actual execution on site, documented reasons of such change along with design team approval

Amendments which are above these limits, will need to be approved by PCA. Among these the variations that cannot be resolved at commercial manager and PCA package lead level to be put up for a committee approval and could be classified into two buckets (Technical and Commercial) as described below.

- The following cases fall into commercial rate approvals bucket and will be overseen by the Commercial Committee
  - Rate escalation due to expiry of time escalation or stoppage of works on site
  - Variations due to possible extreme changes in commodity prices
  - Variation in contractual terms due to reasons like contractor incapacity

  This committee will be headed by HOD Procurement. Committee will meet every 15 days and take inputs from CM, Design and PCA.

- Cases which don't fall into the commercial bucket fall into the technical bucket and will be overseen by the Technical Committee. Example conditions/situations are as below
  - Change in site conditions during work progress(eg. basalt rock encountered during excavation as happened in MTM, extra depth in diaphragm wall as in the case of Wadala)
  - Major change in scope of contract (due to height reduction, design change etc)
  - Design variations leading to possible increase cost by contractor on existing line items or need for rate discovery on new line items
  - Variations due to mode of measurement issues

  This committee will be headed by the COO. The Committee will meet every 15 days and take inputs from CM, Procurement, Design and PCA.

The committees will be empowered to take decisions and close matters. Policy deviation reasons (if any) to be recorded and sent to Director-Operations.

The agenda for discussion shall be prepared by the Project Director of the concerned project and shared with the Committee one week in advance of the Committee meetings. The Project Director will prepare the necessary documentation required to take a decision including inputs from the various stakeholders. The other departments should give their input reasonably in advance. Even if they provide their input during the course of the meeting, the matter should be discussed and finalised and should not be postponed. For these meetings the consultants (if appointed) and the vendors should be called. Interaction with vendors can take place after the internal committee meeting.

Documentation required for committee to take a decision would include, but not limited to below:

- In case of new scope – reason for new scope
  - If new scope due to design changes, to be accompanied by drawings or written backup for site instructions
  - If due to rework, to be accompanied by images
- Rate analysis in standard format with details of BOM, labour and markup
- Details of overall variation including negative variations & consolidated measurement sheets

The Convenor of the meeting shall be COO office for the Technical committee and HOD-Procurement office for the Commercial meeting. The Convenor shall prepare minutes of meeting and record the decisions taken for circulation thereafter to all the stakeholders. The minutes would have two sections – (a) decisions approved within policy and (b) Policy deviations approved by Committee.

B. Limits for amendment approval for Lodha Supply Materials by PD/PMH/COO* (Commercial Manager to exercise this power on behalf of PD/PMH/COO*)

Material Type	**Category Characteristics**	**Amendment limit by PD/PMH/COO* (% of original quantity)**
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.

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 – 5%, allotted at L1 level
- Project Contingency – 4%, 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 Project contingency budget.

Change	**Approval by**	**Key questions by approver**
Use of DD contingency within a L1 package	• MEP package: PCA Lead for the package + MEP Design cell Project Lead • Facade package: PCA Lead for the package + Facade Design cell Project Lead • Structure Package: PCA Lead for the package + Structure Design cell Project Lead • All other L1 packages – PCA Lead for the package + Architecture Design cell Project Lead. 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 PCA Project Lead.	• Is contingency within L1 package not sufficient • Is contingency remaining, sufficient for the package from

		which budget being moved
Plant budget increase due to DD contingency being exceeded	Pre-Con & Audit (with input from Design) as per 'Budget modification – steps to be followed' policy	• Entire budget reviewed for VE options & reallocation within plant budget

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

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	PCA Lead for the package (prior to award of all the contracts in a L3 tender group) OR Commercial Manager (anytime)	Approval not needed
Allocation of project contingency to L3 tender group	Commercial Manager	PD/PMH/COO*
Plant Budget Increase (if project contingency available for a given tender is exhausted)	Commercial Manager	PCA, with consent of Director - Operations

Note: Project Contingency shall be released by PCA on L3 basis only, as and when the first tender of the said L3 is awarded. It is a cumulative amount but is released on L3 basis as award amounts.

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

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%