Contract Provision Policy

Background:

Given the large volume of construction work done by Lodha Group in various customer segments across different cities, it is imperative to analyze the periodical financial results in a time bound manner.

It also serves the following:

a. Listed Companies within the group have mandatory and timely requirement of publishing quarterly financials.
b. Quarterly / Monthly reporting to Institutions and Banks.
c. Management reporting.
d. Accurate tax treatment (TDS / VAT TDS) for 31st March, 2011.

Applicability:

This policy is applicable for:

a. Every Work order of Contract and Consultancy for work done above Rs. 1 Lac.
b. Every quarter end and for such other period as required by the Company / Management.

Guidelines:

a. Where Work Order is available is SAP:

1. Prior to every quarter end, assess the cumulative amount of work done against work orders.Find out the cumulative amount of last Service Entry Sheet (SES) posted and released in SAP.
2. Derive the difference of both the above items (i.e. 1-2) which is nothing but the amount of work done by contractor / consultant between the two SES periods.
3. Post provisional SES in SAP for the above differential amount. Posting date would be the respective quarter end date only.
4. Posting of provisional SES in SAP to be complete by the end of respective quarter.
5. Summarise above details in excel file and send it to contract bill processing cell of Accounts department within one day.
6. Consider above provisional SES at the time of actual certification of the invoice submitted by contractor.
7. If there is no difference in the certified BOQ of above provisional SES and the BOQ claimed in

the invoice, then consider this provisional SES amount as final and send invoice along with necessary documents to accounts for payment processing as per normal practice.

9. If there is any difference in the certified BOQ of above provisional SES and the BOQ claimed in the invoice then please below mentioned steps to be followed:

   > Reverse provisional SES in SAP on the date of certification of above invoice. (Reversal date should not be in the month of posting date of provisional SES.)
   > Post new SES in SAP on the above reversal date for final certified quantity.
   > Send invoice along with necessary documents to accounts for payment processing as per normal practice.

10. Status of open GR / IR pending for more than a month to be given at the end of every quarter to contract bill processing cell of accounts department.

b. **We have few instances where work is done but for some reasons the Work Order is not prepared / available in SAP; in such cases following needs to be done:**

1. Prior to every quarter end, assess the cumulative amount of work done against work orders not available in SAP.
2. Summarise above details in excel file and take approval of level 1 associate / project in-charge of respective project.
3. Send above approved excel file to contract bill processing cell of accounts department at the end of every quarter.
4. Accounts department will pass manual provision entry in SAP as per above details at every quarter end and reverse the same on very next day.
5. At the time of preparing first SES in SAP, ignore excel provisions considered earlier.

c. **Quarter end SAP activities:**

1. Provisional SES has to be as accurate as possible.
2. Release / Post all unreleased SES by the end of every quarter.
3. SAP Quarter / period (MM & PS) to be closed by the 1st day of subsequent month. Hence, unreleased SES could not get posted thereafter.
4. On 31st March every year, TDS / VAT TDS will be deducted on each provisional SES.