Defect Liability Period and Warranty Policies

Version History

Version No.	Description of Change	Date	Updated by	Approved by
1	Initial version	Oct 20, 2010	Strategy	
2	Procedure to be followed for refund of retention / bank guarantee	Mar 28,2014	Procurement	Procurement Council

Guiding principles

DLP: Customer flats

1. Customers will get 1 year DLP from date of offer for possession for workmanship and original material defects in the flat, which could not have been reasonably tested by the customer during flat possession process and are not caused / unlikely to be caused by customer action (misuse/ wear and tear). In case of materials, the DLP shall not cover any defects / variations which are inherently expected in the said materials.
2. In case of materials covered under respective manufacturer warranty / DLP, the term of the said manufacturer warranty / DLP shall be applicable.
3. In situations where there is a difference of opinion about whether issue has been caused by customer action or is a workmanship / original material defect, we will apply the test of whether the same issue has occurred in multiple units (min. 10% of the units in the building, subject to min. of 5 units). If it has occurred in multiple units, we will treat the issue as being addressable by us under the terms of the DLP.
4. During 1st year of possession, we will resolve all issues deemed in our DLP scope according to points 1, 2 and 3.
5. In case of certain projects were we have already committed to DLP > 1 year - Post 1st year of possession, we will resolve issues subjectively only after thorough examination. FM HOD approval required for all issues to be fixed post 1 year.
6. Any expenses approved by FM HOD and not covered by Contractor DLP / Manufacturer Warranty / DLP, will be part of FM discretionary budget.
7. The 'free / complimentary / included' maintenance period offered by any manufacturer, should be valid for a period of min. 12 months from our offer for possession. The monetary value of the maintenance period contract shall be duly identified and stated in the contract. This amount shall be paid only at time of start of maintenance period (viz. Date of offer for possession) and FM shall ensure that the same is charged to the building maintenance budget – this amount shall not form part of the Construction budget.

8. All DLPs / warranties undertaken by manufacturers / vendors / suppliers, should be valid for a period of min. 12 months from our offer for possession. If manufacturers / vendors / suppliers is unwilling to link the DLP / warranty to our offer for possession, the said DLP / warranty should be valid for min. 24 months from the date of completion of purchase /commissioning. It will also be clarified in all such contracts / purchase orders that all DLP / warranty documents, duly authorized, shall be submitted to Purchase and/or Contracts, without which final payment shall not be processed. Purchase / Contracts will duly store these by project and handover to FM on demand.
9. For certain existing projects, where DLP periods for any workmanship and original material defects do not satisfy the conditions laid in point 8, then we will still "in-principle" provide the DLP as offered in point 1. FM HOD approval required for all such issues, and the additional cost will be part of FM discretionary budget.

Guidelines for Defining Contractor and OEM DLP/ Warranty periods

(See Appendix for examples)

Category	Period of DLP / Warranty
1. Lodha purchased material	Date of delivery + minimum of 24 months
2. Contractor purchased material and Installation by contractor's own agent (where installation value is a smaller proportion of the total contract value)	Date of commissioning and testing + minimum of 24 months
3. All other contracts	Date of offer for possession + minimum of 12 months

DLP: Common services

1. The following key common items / equipments will be covered by a DLP for a minimum of 3 years:
    a. Elevators
    b. Water pumps
    c. Firefighting equipment
    d. Sewage Treatment Plant (STP)
    e. Water treatment plant
    f. DG
    g. Electrical panels and other key equipment
    h. Solar heating units
    i. Building automation system
    j. Public Address System (PAS)
2. In the aforesaid cases, the AMC charges for the post-free maintenance period and up to end of DLP should be negotiated at time of purchase order / contract itself. The said amount will be billed on quarterly / annual basis to the building society and the manufacturer / vendor shall be responsible for ensuring that the said equipment is appropriately maintained.

The following procedure is to be followed for refund of retention / bank guarantee to Contractors, after the Defect Liability Period (DLP) is complete.

- Contractor to submit a request letter addressed to the Site Construction Head asking for the refund

HFM input for Release of Retention monies (Reference to Lodha Billing Policy 22 11 12 v3)

Retention monies for following vendors/contractors shall be released only after obtained HFM input. CM shall ask for this input by email to the HFM Central Co-ordination team and HFM shall give its approval/details on debits (as per Debit policy guidelines) within 3 working days from receipt of the email. If no response is received, CM can certify the release of retention by enclosing a copy of the email sent to HFM Central Co-ordination team and stating on the same that no response has been received from HFM (Accounts can verify such instances on random basis). List of vendors (please refer to the 'sub package' headers only) for which Retention shall be released after HFM input:

Sr No	Package	Sub-package
1	Civil	Structural / Civil
		Waterproofing (all areas)
2	Finishing	Flooring
		Windows
3	Electrical	Air conditioners
		Lifts
4	Plumbing	Plumbing
		Flushing system
		Pumps
5	Security System	Access control, CCTV, Intercom/VDP
6	Home automation	Home Automation, BMS
7	Fire fighting	Fire alarm
8	Carpentary	External Doors
9	Fitted Kitchens	If applicable
10	External Façade	Excluding painting

Exceptions

- In case the project (for which the retention refund is being requested) has been handed over to the Facilities Management team, however there is a CM team presence at site – then the refund request would processed by Site Construction team – who will be responsible to take inputs from Site Facilities Management team on any debits to be made for repair/rework done in contractor's work area
- In case the project (for which the retention refund is being requested) has been handed over to the Facilities Management team, and there is no Site Construction Head – then the letter would be processed by Site Facilities Management Head. The Site FM Head may consult the ex-Project Manager (who is assumed to be still working for the company) for any feedback, if required.

Refund request letter contents and time of submission

- The request letter should have the calculation of retention amount, and, if applicable, the Bank Guarantee reference details (S.No., Drawn on which Bank, Date)
- The request letter should be submitted at least 30 days prior the DLP completion date

Refund approval process

- The Site Construction Head / Site Facilities Management Head (as the case may be) would verify the completion of defects liability period (DLP) and either approve the request 'as-is' OR attach a statement of debits to be made to contractor for repair/rework done in contractor's work area, for which have no refunds have been received by Lodha.
    - It is expected that in case any repair / rework has been carried out during the DLP at our cost, same should have been intimated in writing to the contractor (who was originally responsible for completing the work to desired quality) – as a claim – during the DLP period itself– and the contractor given an opportunity to refund the company for the claimed amount. This communication shall be the responsibility of the person who has requisitioned the repair / rework (i.e. Site CM team / Site FM team, as applicable)

- The approved letter – along with statement of debit (if applicable) would be sent by the Site Construction Head / Site Facilities Management Head to HO Accounts – within 1 week of receipt of refund request from contractor

- HO Accounts to process the request and release the retention/BG after making all the debits as per 'statement of debit' received from site and any other debits as per accounts which are to be made for contract closure – as per existing norms of (a) max 2 weeks for BG and (b) 25th of next month for retention refunds.

Appendix

1. Scope of Lodha FM: Examples of workmanship defects

Area	Common issues	Can be checked during handover?	Can this issue be due to customer action: misuse/ wear and tear?	Lodha FM DLP - Y/N or Subjective?
Painting	Leakages on wall (below sill lvl)	N	N	Y
Painting	Cracks in walls	N	N	Y
Painting	Dampness/ leakage	N	N	Y
Flooring and dado work	Marble/ tiles not in proper line and level	Y	N	S
Doors	Veneer peeling off	Y	N	S
Geysers	Water leakage observed from geyser	Y	N	S
HVAC	No proper cooling observed	Y	N	S
Electrical work	Earthing not proper	Y	N	S
Wooden flooring	Polish gets dull	Y	Y	N
Doors	Lock not working	Y	Y	N
Windows	Lock not working	Y	Y	N

2. Scope of Lodha FM: Examples of material defects

Area	Common issues	Does OEM warranty exist for material?	Can this issue be caused by un-natural behaviour of material?	Lodha FM DLP - Y/N or Subjective?
Wooden flooring	Swelling up of the flooring	Y	Y	S
Doors	Warping in doors	Y	Y	S
Flooring and dado work	Cracks in marbles/ tiles	N	N	N
Flooring and dado work	Stains in marbles/ tiles	N	N	N
Wooden flooring	Shade variation	Y	N	N
Wooden flooring	Fungus accumulation	Y	N	N
Doors	Lock not working	N	N	N
Windows	Scratch on glass	N	N	N
Windows	Stains on glass	N	N	N
Windows	Lock not working	N	N	N
Plumbing	Flush valve not working properly	Y	N	N
Geysers	Water not heating	Y	N	N
HVAC	Gas leakage	Y	N	N
HVAC	Leakages from AC unit	Y	N	N
HVAC	Noisy outdoor unit	Y	N	N
Electrical	Switches/ sockets not working	N	N	N
Electrical	Lights not working	N	N	N
Electrical	Earthing not proper	N	N	N
Automation	Sensors not working properly	Y	N	N
Automation	Door bell not loud enough	Y	N	N
Automation	Key pads not functioning properly	Y	N	N

3. Examples of DLP / Warranty period negotiation for different categories

Category	Item List	DLP/ Warranty duration to be negotiated
1. Lodha purchased material	• CP, Sanitary • Wooden flooring • Doors • Geyser • Sliding / shutter windows	Date of delivery + minimum of 24 months

	• Power toilet glass doors/ partition glass	
2. Contractor purchased material and Installation by contractor's own agent (where installation value is a smaller proportion of the total contract value)	Flats • Modular units • Automation systems • Exhaust fans Common services • Elevator • Pumps • STP • DG • Fire fighting • Electrical panel/ switch gear • AC	Date of commissioning and testing + minimum of 24 months
3. All other contracts	• Civil works • Electrical • Plumbing • Etc.	Date of offer for possession + minimum of 12 months