

CLARIFICATIONS ON COMMON OBSERVATIONS BY ALLOTTEES OF COIMBATORE

PROJECT : NOV 13

References. Power point presentation on pre-final costing.

1. After inauguration of the AFNHB project in Coimbatore on 18 Sep 2013, as the process of handing over is going to commence shortly. In order to bring in better transparency, the Board has uploaded the **provisional** costing presentation on AFNHB web site. Few queries have been received from allottees of the project. Clarifications on the issues raised are enumerated in the succeeding paragraphs for the larger benefit of the allottees.

2. **Type of Contract.** This is a lumpsum contract wherein the basic prices of steel/cement are specified so as to provide a level platform for the bidding process. The contract provides for reimbursement of steel/cement escalation beyond the tolerance limit of +/- 10% to the contractor / project, as the case may be. The prices of cement and steel are verified by the Project Director during the process of procurement so as to ensure minimum cost burden. The total lumpsum value of contract is arrived at by summing up the individual lumpsum figures for major components of the project. These components have been used by the board to arrive at the cost for various types of dwelling units. This being a mixed project consisting of both flats and row houses the standard procedure of using 'per square feet' cost of construction used in other projects had to be abandoned.

3. **Costing Committee.** The cost indicated in the final call up letter is provisional and subject to audit by statutory auditors, external auditors, independent Officers from Air/Naval HQs with representatives of the RWA as a part of final costing at the end of the Defect Liability Period of one year. All the expenses incurred and other contingent unforeseen expenditure likely to be incurred has been considered currently. On completion of final costing, in case there is any residual balance, the same will be reimbursed to the allottees, as per the existing norms.

4. **Government Fees.** Every project is subject to statutory Government fees payable towards sanction/approval of plans, obtaining of NOCs from various Government Departments etc,. Presently the project has already incurred an expenditure of Rs. 1.32 Cr towards this. The receipts from the concerned Departments are available and the same will

be verified during Final Costing. A sum of Rs. 1.0 Crore has been provisioned for any future Government fees, which will be reimbursed to the allottees if not utilized, post final costing.

5. **Electrical Charges.** In order to provide electric supply to the project, Tamilnadu Generation Distribution and Corporation Limited (TANGEDCO) has demanded a statutory fee of Rs. 24.62 Lacs and the same has been deposited with the said Govt department. Additionally a sum of Rs 34.84 Lacs has been deposited with TANGEDCO towards individual electrical meter charges, connection and supervision of the same. It is pertinent to mention that the responsibility of procuring the meters and connection therein for the individual DUs rests with the respective allottees. However, in order to avoid confusion and reduce the difficulties for the allottees the same has been undertaken by the Board. This will reduce the difficulties and expenses for the allottees in the longer run.

6. **Delay In Obtaining Electric Connection.** As per procedure electric supply to the project will be commissioned by TANGEDCO after paying all taxes and fees to the Govt. A demand for Rs 1.32 Cr was raised by the Municipal Corporation against VLT in Aug 13. The Board was ready to deposit this amount with the Coimbatore Corporation. However at this juncture, President of the Society [AVM(Retd) N Vijaykumar] requested the Board to delay the payment of VLT. The aim was to seek waiver from Govt of TN as the said Tax was felt to be unjustifiable. Various meetings with the Corporation / Govt Officials took place during the period of Sep 13 to Nov 13 explaining the position and seek waiver for common benefit of all allottees. However, on 20 Nov 13 a communication was received from Coimbatore Commission intimating that the waiver has not been agreed to. Accordingly the said fee has been paid and the electric supply for the project is expected shortly. Further, the aim of the board to keep the allottees informed and seek input / feedback seems to have been misconstrued and misunderstood by a few of the allottees.

7. **Cost Calculation of Parking.** As per standard practice followed for all the projects the parking cost are being calculated as per the following formula:

Open Parking - 100% of Land Cost + 25% of Construction Cost

Stilt Parking - 100%of Land Cost + 50% of the Construction Cost

It has already been clarified that the parking charges so recovered are ploughed back to the project there by resulting in the reduction of dwelling unit cost proportionately. This will enable fair distribution as allottees have been charged according to the actual parking area allotted. In other words, allottees with larger parking spaces have been charged more than the allottees with smaller parking spaces. The allocation of parking units further avoids conflict and strife among the project allottees at later date.

8. **Improvements to the Parking Efficiency.** Construction of the DUs is carried out as per the plan and accordingly the parking spaces in the stilts are created. However, as the construction is progressed, based on the site condition, steps to improve the parking efficiency are carried out during execution phase. The position of the pillars being fixed, there are certain modifications which are carried out on the stilt floor; for example, widening of the floor at the entrance level in order to accommodate the larger vehicles like Sedans / SUVs. Thus, during the completion phases, these modifications are undertaken based on the site condition and thus help the allottees in providing larger parking areas and increase in the parking slots. Otherwise these spaces would be unutilized although the cost of construction has been incurred on them. This is one of the reasons for additional charges towards parking.

9. **Equalization Charges.** Equalization Charges are levied on the delayed payments as per the policy mentioned at Para 0607 of Master Brochure as available on website and provided to each allottee alongwith Allotment Letter. The same is being levied in order to bring parity amongst allottees. These charges are levied to late joiner and to those allottees who delay their payments. When an allottee delays payment of an installment beyond the due date, Equalization Charges at applicable rate for the number of days delayed is levied. Thus, as the name suggests the purpose of equalization charges is to ensure that those who delay their payments do not derive any undue advantage over allottees that make their payments on schedule. AFNHB neither gains nor loses from the equalization charges, as the money collected against this is ploughed back to the respective projects for common benefit of all allottees.

10. **Steel/Cement Escalations.** As per clause 4.3.12 of the contract agreement the procurement of cement & steel are procured at the base price fixed in the contract with a band of +/- 10% for entire contract period. In case price of cement & reinforcement steel increase by more than 10% of the fixed basic price, the Board shall reimburse the rate variation above 10% & incase if decreased by more than 10% the Board shall reduce the rates for variation below 10%.

11. **Balance Amount.** The balance of amount called in the final call up letter is the difference of the cost announced in Aug 10 and the total amount paid by the allottee till date. The clarification of the presentation on balance amount shown and the actual cost shown has been rectified in the presentation as uploaded on website.

12. **Additional Land For Row Houses.** The additional area (i.e over and above the standard area of Row Houses) attached to one's row houses are allotted to the same row house allottee based on their request and subsequent conduct of draw of lots. The collection for the same is being made from specific Row House allottee only. Such collection logically has been ploughed back to the allottees of Row houses only. Similarly, the cost recovered on account of additional parking spaces from flat owners has been ploughed back to allottees of flats only and no benefit in this context is passed on to the row house allottees.

13. **Contingency.** Contingency in every project is charged as per policy of the Board to meet up any unforeseen expenditure in the project till the completion of Defect Liability Period(DLP) and the unutilized amount shall be refunded to all allottees upon final costing of the project.

14. **Reduction in cost of Cement.** The contractual obligation was base price for steel and cement with a variation band of +/- 10 %. All procurement costing beyond this price band is either deducted/reimbursed to contractor. Accordingly during the period when cement prices were low suitable deductions amounting to Rs. 3,94,650/- have been made. Similarly Rs. 5,15,321 towards cement consumed for block making has been deducted from contractor's bill.

15. **Allotees Suggestion.** After the completion of sample dwelling unit and its display to the allottees, few suggestions/changes in the flat/Row Houses were made by the allottees for its implementation. Inputs on the subject were sought from all the allottees and based on majority, the suggestions which were feasible were considered and implemented. Detailed breakdown of allottee suggestions category-wise with their financial impact on the project is available on the web site.

16. **Cost Increase from Initial Announcement.** In the allotment letter of Dec 08, the super area and cost was tentative. Post tendering based on bids received, and revised super areas super areas of DUs as approved by Corporation of Coimbatore, Local Planning Authority, Coimbatore and District Town and Country Planning Chennai, the **cost** as well as the **area** underwent an upward revision. The same was intimated to all allottees vide letter No. AFNHB/ WKS/1452 dt. 27 Aug 10. However it may be appreciated that the cost of a flat and that of a row house cannot be same. This was an error of oversight by the Board while intimating to the allottees and has been now been corrected which has resulted in an increase in per unit cost of row and corresponding savings cost of flats. Services of the then employees of AFNHB who were involved in such costing have since been terminated and it is not feasible to ascertain the rationale of such costing. It will not be out of place to mention here that the projected construction cost of the lowest bidder M/s Shapoorji Pallonji was much higher than the estimate. Hence, in order to safeguard interest of allottees, for the first time in the history of AFNHB the Overhead Charges were brought down from 4.5% to 3% of the construction cost; which was just bare minimum to cater for the establishment cost like payment to Project Director and his team. Similarly other cost cutting measures were also initiated by the Board without any compromise in the quality of the project. Since M/s Shapoorji Pallonji had quoted a rate of Rs. 72,84,738/- as landscaping charges, this job was contracted separately with M/s Royal Nursery for only Rs. 38,53,12/-, keeping in mind the allottees' interest. Further, increase in rates are attributable to implementation of allottee suggestion, escalation in prices of steel/cement, mandatory additional works carried out based on site conditions etc. The cost of independent land available to a row house owner has also added up to the upward movement of cost. It is also to be appreciated that the total expenditure in the project are

distributed among the allottees in a logical way so that the same amount is recovered from the allottees and any excess or less recovery of expenditure is avoided. This may also be verified from the slide No. 4 & 5 of the presentation on pre-final costing as uploaded on the website.

17. **Increase in Areas for Row B Units.** In order to increase the space within the houses, areas like Open to Sky (OTS) etc were optimized and consequently the inside space of the unit has increased by 20 Sq. Ft.

18. **Increase In Vat/Service Tax.** This is a lumpsum contract inclusive of all taxes applicable, at the time of bid. As per provision of the contract, any increase in taxes by statutory authorities is to be reimbursed to the contractor and should there be any reduction, the same be recovered from the contractor. Hence, only the increase in VAT & Service tax as declared by the Statutory authority is reimbursed to the contractor and levied to the allottees.

19. **Telephone Line Expenses.** An amount of Rs.7.44 lacs has been paid to the M/s BSNL towards providing telephone facilities for the project. However, there are certain other works like excavation for laying of UG conduits, pipes etc, the costs for which were not part of the MOU executed with BSNL. The overall expenditure catered for this work is Rs. 12.50 lacs (inclusive of Rs. 7.44 lacs).

20. **Defect Liability Period.** As per provisions of the Contract Agreement (CA), DLP is valid for a period of one year only. It was erroneously mentioned as two years at Appx D of this board letter forwarded vide AFNHB/ADM/1008 dated 08 Nov 13. The same may be amended accordingly.

21. **Overhead Charges on a Project.** It is clarified that presently as per the policy of AFNHB the Overhead is charged @ 4.5% of the project cost,. However, for this project, as a special case the same is charged @3% only, in order to reduce the cost. It may be noted that the establishment cost at site and AFNHB HQ are met through these funds only. Any further concession in this charge is not feasible.

22. **Additional Works Due to Suggestion By the Society.** A few works like construction of compound wall in northern part of the project, alteration to depth of swimming pool, additional gate at community centre, provision of balcony spout connection work etc, were undertaken on suggestions of society/allottees visiting the site after due analysis at this Board. Further, an amount of Rs 90 lacs has been catered for construction of shopping complex in the additional piece of land lying vacant. The Shopping Complex is not a part of the original contract agreement.

23. **Additional Works for Common Benefits.** There are few extra/additional works carried out at the project for the common benefits of all allottees. Some additional work became inescapable at the time of execution as the same could not be envisaged while drafting the contract agreement. All additional works were carried out at site after being critically examined and analysed by the Board. Keeping the safety and speedy execution of the project these works are additionally awarded to the contractor. The major works executed at site additionally are paving in blocks, rework on sample flats (executed prior to allottees suggestions), rectification and strengthening of the old boundary wall etc. Apart from these works, it was found that huge and heavy RCC foundation of old structure of NTC mill had not been removed/excavated fully. These structures were encountered during execution and the same had to be removed and disposed off. The removal of these heavy structures did result in extra cost as the same could not be obviously included in the contract. Also, the contract was awarded for execution on isolated footings. During excavation due to the nature of soil being black cotton soil, excavation for isolated footings could not be resorted to. The expert views were obtained and instead of the limited excavation, a mass excavation of black cotton soil and subsequent replacement with good earth was unavoidable and thus executed. This extra work also resulted in the extra cost to the project. Apart from this, an amount of Rs 1.8 Cr has been levied from the contractor towards the penalty / discount as per the contract agreement. It may be appreciated that some of the unforeseen contingencies are difficult to predict at the time of award of contract. The practical difficulties are only known at the time of execution of the contract. It is needless to mention here that all out efforts are made to ensure that the minimum cost is incurred in the project after award of contract.

24. **Distribution of Extra Cost.** The extra costs are distributed amongst the allottees depending on their applicability to the various categories of dwelling units. For example if any extra work like widening of road in front of row houses is executed for the advantage of Row houses category, such amount have been charged to Row houses category only and not to allottees of flats. Similarly, where the extra paving is carried out in the blocks or some work dedicated to the blocks, these are charged to allottees of flats only and not to Row houses allottees. This implies that a logical distribution of costing is carried out while issuing the call up letters to the allottees. The endeavor of AFNHB is to recover the project cost from the allottees and no other charges other than fixed overhead are recovered from the allottees. This may be verified from the costing presentation slide No-3 and 4 as uploaded in the website. The AFNHB works on no profit and no loss basis and the same has always been adhered to.

25. **Date of Payment.** The call up letters have been issued with a indicative/tentative date of payment by 15 Nov 13 with respect to the last installment. This indicates that the equalization charges are frozen and no such charges shall be charged after 15 Nov 13, if payment is received before the date given to allottees for handing/taking over of the dwelling units. However those allottees who have not cleared their **earlier** outstanding dues **will be** charged the equalization charges as per policy of AFNHB. Allottees will be informed for handing/taking over their dwelling units through web site update. This issue had also been clarified to the allottees by an update on the AFNHB web site.

26. **Registration/Stamp Duty Charges.** Registration of individual dwelling unit is the responsibility of the individual allottees. The amount payable for registration of dwelling unit in favour of the individual allottees shall be as per the bye laws of the state authorities. The procedure of the same has been vividly explained at Para 0513 of the Master Brochure and also available on the web site.

27. Few allottees of flats have requested the Board for change over to Row Houses. In case any allottee of Row house wishes to mutually exchange their DUs with those allottees of flats, they may apply as per procedure of the Board and the same will be facilitated.

28. All the AFNHB projects are self financing projects and the AFNHB works on "No Profits No Loss Basis". Therefore, all the prices / costs announced by the Board are tentative. Hence final costing is possible only on the closure of a project. After the final costing, the Board refunds the allottees in case there is excess collection and recovers from allottees in case of deficits in the project.

29. The AFNHB has no mandate to steal from Peter to pay Paul. Hence any reduction in cost escalation of row house allottees and offset it by an equal amount to the flat allottees, is ruled out. As far as the Board is concerned all allottees are equal and a fair, transparent system is being implemented. Towards this, the Board has uploaded the presentation on the web site. Though the Board has exercised utmost caution, errors cannot be ruled out. Errors if any, will be corrected even at the stage of auditing and Final Costing.