

**From:** Manav [manav@mchi.net]  
**Sent:** Thursday, February 23, 2012 11:19 AM  
**To:** 'Ajay Ashar'; 'Shrikant Shitole'; 'Shailesh Sanghvi'; 'Rajesh Prajapati'; 'Suresh Haware'; 'Pravin Doshi'; 'Mohan Deshmukh'; 'Mofatraj Munot'; 'Niranjan Hiranandani'; 'Rajni Ajmera'; 'Paras Gundecha - President'; 'Paras Gundecha'; 'Sunil Mantri'; 'Vimal Shah'; 'Dharmesh Jain'; 'Mayur Shah'; 'Nayan Shah'; 'Deepak Goradia'; 'Boman Irani – Hon. Secretary'; 'Boman Irani'; 'Rasesh Kanakia'; 'Harish Patel'; 'harishpatel099@gmail.com'; 'Nainesh Shah'; 'Ashok Mohanani'; 'Mukesh Patel'; 'L. P. Bhagtani'; 'lakshman@jayceehomes.com'; 'lakshman@jayceehomesonline.com'; 'Sukhraj Nahar'; 'Pujit Agarwal'; 'Sandeep Runwal'; 'Sandeep Raheja + G. L. Raheja'; 'Bandish Ajmera'; 'Sujal Shroff'; 'Parag Munot'; 'Rajan Bandelkar'; 'Vikas Walawalkar'; 'samartha1978@hotmail.com'; 'Jayesh Shah'; 'Nayan Bheda'; 'Sanjay Chabria'; 'Rajendra Chaturvedi'; 'Mukesh Mehta'; 'Rakesh Sanghvi'; 'Jagdish Ahuja'  
**Cc:** 'Sharon - Gundecha'; 'Dipankar - Mantri'; 'Kuljeet - Mantri'; 'Rajini – Akruiti'; 'Rohit Chavan - Nirmal'; 'Vaishali – Marathon'; 'Suresh – Mayfair'; 'Murthy - Dosti'; 'Mohit – Rustomjee'; 'Allwyn - Rustomjee'; 'Kanakia – PA'; 'Shital – Neelkanth'; 'Shabnam – Nahar'; 'Anjali – Terraformrealty'; 'Dilnaz - Ajmera'; 'Marie – Kalpataru'; 'Gracie - Runwal'; 'Raunak 02 Email Address'; 'Tisha – Sky Build'; 'Kashmira – Wadhwa Developers'; 'Vrinda – Neptune'; 'Neelam – Silver Group'; 'Nigel – Wadhwa'; 'Pheona – Shreepati'; 'Sandhya'; 'Divyal - Sanghavi'; 'Ajay Ashar Email 02'; 'Jalaja – MCHI Kalyan – Dombivili'; 'Deepak - Haware'; 'Parul – Prajapati'; 'Bhumika – Acme'; 'Vinod Bhopatkar – Deshmukh'; 'Girija Menon - Hiranandani'; 'Kamalji - Kalpataru'  
**Subject:** IMPORTANT: Special Meeting on "Adopting Fair & Consistent Business Practices" on Wednesday, 29th February, 2012  
**Attachments:** Vimal Shah PPT - "Adopting fair & consistent business practices"..pptx

Ref. No. MCHI/SEC/11-12/198

February 23, 2012

To,  
**Managing Committee, MCHI**

**Dear Friends,**

A special meeting has been organised on **"Adopting Fair & Consistent Business Practices"**.

Details of the Meeting are as follows:

**Date & Time : Wednesday, 29<sup>th</sup> February, 2012 at, 6:30 pm**  
**Venue : MCHI Conference Room.**

You are requested to kindly make it convenient to participate the meeting along with your suggestions & recommendation to the PPT given by Shri. Vimal Shah on **"Adopting Fair & Consistent Business Practices"**.

Thanking you,

Best Regards,  
For **Maharashtra Chamber of Housing Industry**

Sd/-  
**Boman Irani**  
Hon. Secretary.

 Save Paper & Environment.

Please don't print this e-mail unless you really need to.

----- Forwarded message -----

From: MCHI MANAV <mchi.manav@gmail.com>

Date: Thu, Feb 16, 2012 at 11:31 AM

Subject: URGENT - Adopting Fair & Consistent Business Practices

February 16, 2012

To,  
Managing Committee, MCHI.

**Dear Friends,**

Several issues are being discussed at MCHI Core Committee and Managing Committee level. Issues related to the Industry are manifold.

Shri Vimal Shah, President – Elect, has prepared a presentation on “**Adopting fair & consistent business practices**”. It is recommended that as an industry we have standard operating procedures.

Please send your views / suggestions on [secretariat@mchi.net](mailto:secretariat@mchi.net) by 21<sup>st</sup> February, 2012 and attend a special meeting (**tentatively**) on 28<sup>th</sup> February, 2012 at 6:00pm (**to be confirmed**) at MCHI Mumbai Office.

Friends, collectively we have a chance of success which is what I request you to do .....

Let's come together.

Thanks & Regards,

Sd/-

**Boman Irani**

Hon. Secretary, MCHI

Enclosed: PPT on “**Adopting fair & consistent business practices**”.

# Adopting to fair & consistent business practices

a concept note

Presentation by : Mr. Vimal Shah, Vice President-MCHI, India

# Contents

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- ▶ **Need**
  - ▶ The reasons for standardisation
  - ▶ The business practices requiring standardisation
  
- ▶ **Proposed standardisation for transactions related to**
  - ▶ Sales
  - ▶ Project Development
  - ▶ Other
  
- ▶ **Way Ahead**

# Reasons for standardization

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## A. Reputation of developers getting affected out of

- **Increased unionization/lobbying by customers**
  - Due to high exposure to social media, networking forums etc. incidences of creating Pressure groups, Unfair bargaining are on the rise.
  - Consumer forums and Competition Commission in absence of accepted business practices, treats many of the conditions of the Contract as unfair to consumers
  - Tendency amongst buyer to extract more from developer for delays
  
- **Image created by Media about RE developer being 'unfair agency'**
  - Due to lack of consistency around the dealings with customers, behavior of one developer might be different than other. In absence of standard benchmark, the developer may be called "Unfair" in the situation

## B. Unexpected escalation in cost of basic building construction materials resulting in increased development cost to developer.

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# Business practices requiring standardization

## ➤ Sales Related

### ➤ Cancellation

- Refund to the Customers on Cancellation
- Method of cancellation
- Refund Time and milestones of repayment

### ➤ Transfers Fees

- For Retail buyer, and Investors
- For transfer done at various stages of Project

## ➤ Development Related

### ➤ Transfer of increased cost of construction due to

- Increase in taxes and levies to customers post deal finalization e.g. VAT , Service Tax , Octroi etc.
- Escalation in basic raw material costs (beyond the pre-agreed variation range)

## Sales – Cancellation- Refund to Customers in case of Cancellations

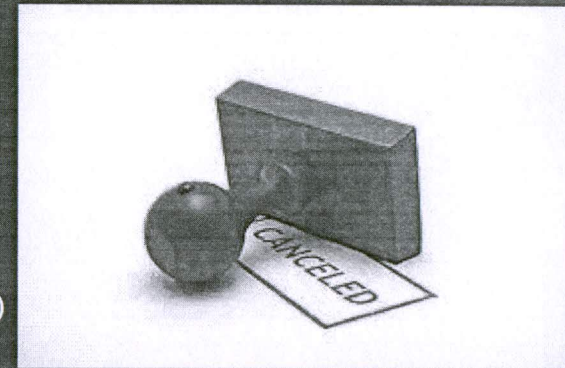
Refund of	Cust. Defaults	Developer defaults	Developer defaults for Reasons beyond control
A. Stamp Duty + Reg. amt	No	Yes (On Actual )	??
B. Interest for (SD+Reg.)	No	Yes (X % per yr)	??
C. Cancellation Fees	% of aggregate sales value or Fixed rate (xxx Rs./sft ) or Variable rate as per stage of project	NIL	??
D. Interest on amounts paid till date	Nil	'X' % per yr for the amount paid till date	??

### Points of discussion / strategic inputs :

1. In case of cancellation arising out of Developers default, what if customer demands for the share of increased value of property ( Present value- Value as per agreement ) ?

## Sales – Cancellation- Method of cancellation

- **Step 1 : Cancellation Notice with details lik**
  - Grace Period ( xxx Days ), if provided
  - Cancellation charges as applicable ( % of deal value or L/s)
- **Step 2 : Cancellation of sales commitment**
  - Execution of cancellation of deed (in case of registered customers)
  - Acceptance on cancelation note (in case of unregistered transaction)
- **Step 3 : Return of payment post deduction of cancellation charges**
- **Step 4 : Timeframe of refund – “xxx” days from date of cancellation notice**



## Sales – Cancellation- Refund Time and milestones of repayment

Refund	Customer Default	Developer Default
Time	'X' days from date of signing of cancellation deed Or	'Y' days from date of signing of cancellation deed Or
	'X' days from date of Acceptance of cancellation NOTE	'Y' days from date of acceptance of cancellation NOTE
Milestone	One Time - ?? Or	One Time - ?? Or
	2-3 installments	2-3 installments
Rate of Interest in case of Installments based refund	Nil	X%/yr

### Points of discussion / strategic inputs :

1. In case of Customer default, does the time of refund needs to be linked to Re-sale of the unit/s under consideration?

## Sales – Transfers

No.	Cost Head	Transfer desired by Customer	Transfer out of developer default
A	Transfer Fees	% of sales consideration or	?
		Fixed value – (X) Rs./sft. or	To be debated
		Fixed fee- Lump sum Or	
		% of escalation achieved or	
		(Present Mkt. value - Book value )	
B	Transfer Premium for type of buyer		
	a) Actual buyer	X %	?%
	b) Investor	Does this needs to be Standardized?	Does this needs to be Standardized?
C	Premium for stage of project		
	a) Up to OC/ Possession/ Handover	X % of Sales Value	?
	b) Post possession till formation of society	?	?

### Points of discussion / strategic inputs :

1. etc.

## Project Development – Cost Escalations- Option-1

No.	Raw Material Cost	Allowable Variation	Method of Calculation
1	<b>Raw Material Cost</b>		
	a. Cement	?%	Material cost index
	b. Steel	?%	
	c. Windows	?%	
	d. Joinery	?%	
	e. Lifts and other equipments	?%	

### Points of discussion / strategic inputs :

1. Items to be covered under escalation
2. Benchmarking values/indices etc. for calculations of escalation
3. Third party certification / validation of claim value
4. Methodology of calculation
5. Method (freq., mode) of invoicing & recovery

## Project Development – Cost Escalations- Option-2

### PWD/CPWD Method:

- The methodology stated is adopted by PWD for the Construction work Tenders
- Irrespective of the materials used for the construction the Cost Escalation is worked out on basis of change in indices for materials, Labor, Fuel, Inflation etc. as per pre-agreed formula
- RBI declares Inflation related Indices periodically (Weekly) which covers indices for
  - Inflation,
  - Construction Materials
  - Fuel
- Commissionaire of Labor for State & that for Centre declares Labor indices periodically (Quarterly). The Highest of the two is considered for calculations
- At end of every quarter the value of work to be completed (Tender Value-Work done till date) is corrected for the changes in the indices above as per the formula stated in Tender

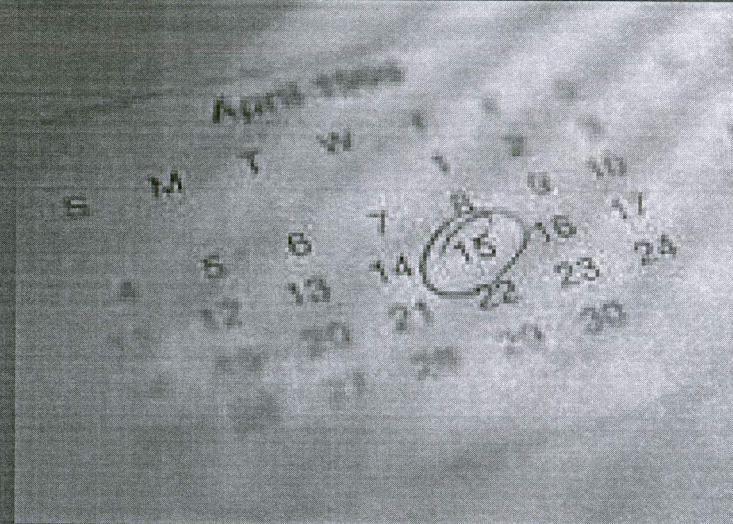
### Points of discussion / strategic inputs :

1. Agreement on suitable Methodology considering the
  - a. Consumer
  - b. The Industry issues
  - c. Ease of adoption

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## Project Development – Time Delay

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### Points of discussion / strategic inputs :

1. There is increasing demand from Customers to reimburse the Interest cost for the period of delay beyond the date of completion as mentioned in the Agreement..
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**Let's discuss**

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**Thank you !**

**MCHI**  
Michigan Center for Health Information