

SINGLE PARTY EXPOSURE LIMIT POLICY

VERSION 1.0

Effective Date: 15th October 2020

No.	Section	Description
1.	Effective Date	a. The "Single party exposure limit Policy" shall be enforced effective immediately.
2	Objectives	a. To limit HDC's exposure and risk level with single parties in the development of Hulhumalé. b. To provide further opportunities for more developers.
3	To Whom it Applies	a. Single party exposure limit will be applied to developers and contractors with incomplete development projects in Hulhumalé. The limit will be applicable to future Request for Proposals (RFPs) when evaluating eligibility criteria from the effective date.
4	Limit by Value	a. The limit of each party is to be calculated based on the party's average total revenue for the past 3 (three) years and the unfinished work value of ongoing development projects with HDC. b. A lower boundary and an upper boundary value will be calculated based on the party's average turnover for the past 3 (three) years. c. The lower boundary is 120% (one hundred and twenty percent) of the average turnover for the past 3 (three) years. d. The upper boundary is 130% (one hundred and thirty percent) of the average turnover for the past 3 (three) years. e. A party with unfinished work value exceeding the lower boundary will automatically be ineligible to submit proposals for any further RFPs for developments. f. A party with unfinished work value below the lower boundary will be eligible to submit proposals provided that the sum of unfinished work value and new project value does not exceed the upper boundary. If the sum of unfinished work value and if the new project value exceeds the upper boundary, the party will become ineligible. g. In case of proposals by joint venture (JV) companies, each JV partner involved will be evaluated separately for a single party exposure limit,

		<p>and if any party in the JV is deemed ineligible, the JV will be ineligible for further allocation of development projects via RFPs.</p> <p>h. As for the JV proponents, the new project value will be apportioned to JV partners according to their equity percentage.</p> <p>i. For existing JVs with ongoing projects, the unfinished work will be apportioned to JV partners according to their equity percentage.</p> <p>Examples of limit by value is mentioned under Annexure 1.</p>
5	Limit by Number	<p>a. Maximum of 2 (two) projects of a similar nature can be carried out by a single party at a given time.</p> <p>b. The nature of projects is categorized as the following:</p> <ul style="list-style-type: none"> - Commercial projects - Residential projects - Industrial projects - Office projects <p>c. In the case of JVs, when calculating the number of projects for parties, a project will be counted for the JV partners, whoever has the majority share of the JV.</p> <p>Examples of limit by value is mentioned under Annexure 2.</p>
6	Limit on Operators and General Businesses	<p>a. This policy will be applied to proponents submitting a proposal for RFPs as Operators and General Businesses or individuals.</p> <p>b. A maximum of 1 (one) project can be allocated for proponents submitting under this category.</p> <p>c. However, if the proponent wishes to submit a proposal for more than 1 (one) project, the proponent should submit a proposal as a developer and evaluation will be carried out as a developer and the criteria mentioned in section 4 will be applied.</p>
7	Unfinished Work	<p>a. The unfinished work will be calculated on the most recent verified progress report submitted by the proponents and based on the evaluation carried out by HDC at the time of the RFP submission date.</p>
8	Eligible Proponents	<p>a. Proponents shall be deemed ineligible if they do not meet the criteria defined in Section 4 and Section 5. To submit proposals for any further RFPs for developments, proponents must meet all criteria in this policy.</p>



ANNEXURE 1 - LIMIT BY VALUE

EXAMPLE 1 – SINGLE PARTY

	Party A
Revenue	
Revenue Year 1	246,224,000
Revenue Year 2	126,995,000
Revenue Year 3	168,140,000
Average Revenue	180,453,000
Lower boundary (120%)	216,543,600
Upper boundary (130%)	234,588,900
Unfinished Work	180,000,000
Project 1- Project value	20,050,000
Total with Unfinished Work	200,050,000
Project 2- Project value	46,958,000
Total with Unfinished Work	226,958,000
Project 3 - Project value	215,390,000
Total with Unfinished Work	395,390,000

Note:
Green indicates eligible
Red Indicates ineligible

Scenario 1

Party A has an average revenue of MVR 180,453,000 for the past 3 years. This gives a value of 216,453,600 (120%) as their lower boundary and a value of 234,588,900 (130%) as their upper boundary. The value of unfinished work for Party A is 180,000,000. As this value is lower than the lower boundary of 216,453,600 Party A will be **eligible** to submit proposals for any further RFPs for development.

Scenario 2

Party A wishes to submit a proposal for Project 3 with a value of 215,390,000. The sum of this project value and unfinished work value accounts to 395,390,000. However, as this amount exceeds the upper boundary of 234,588,900, Party A becomes **ineligible** due to limitations by value when considering the upper boundary.

EXAMPLE 2 & 3 – JOINT VENTURE (JV)

	JV 1		JV 2: Existing JV with Ongoing projects			JV 3	
	Party A	Party B	Party C	Party D	Party C	Party B	
Revenue							
Revenue Year 1	246,224,000	201,860,000	-	224,582,000	-	201,860,000	
Revenue Year 2	126,995,000	209,650,000	42,737,000	346,329,000	42,737,000	209,650,000	
Revenue Year 3	168,140,000	186,052,000	83,245,000	346,652,000	83,245,000	186,052,000	
Average Revenue	180,453,000	199,187,333	41,994,000	305,854,333	41,994,000	199,187,333	
Lower Boundary (120%)	216,543,600	239,024,800	50,392,800	367,025,200	50,392,800	239,024,800	
Upper Boundary (130%)	234,588,900	258,943,533	54,592,200	397,610,633	54,592,200	258,943,533	
Unfinished Work	180,000,000	-	52,000,000		36,400,000	-	
Equity %	50%	50%	70%	30%	60%	40%	
Unfinished Work Allocation			36,400,000	15,600,000			
Project 1-Project value	20,050,000				20,050,000		
Allocation for Party	10,025,000	10,025,000			12,030,000	8,020,000	
Total with Unfinished Work	190,025,000	10,025,000			48,430,000	8,020,000	
Project 2- project value	46,958,000				46,958,000		
Allocation for Party	23,479,000	23,479,000			28,174,800	18,783,200	
Total with Unfinished Work	203,479,000	23,479,000			64,574,800	18,783,200	
Project 3- project value	215,390,000				215,390,000		
Allocation for Party	107,000,000	107,695,000			129,234,000	86,156,000	
Total with Unfinished Work	287,000,000	107,695,000			165,634,000	86,156,000	

Note:
Green indicates eligible
Red Indicates ineligible



EXAMPLE 2 – JOINT VENTURE (JV)

Scenario 1

Party A and Party B have formed JV-1 with 50% equity ownership both parties. Average revenue of Party A is MVR 180,453,000 and the average revenue of Party B is MVR 199,187,333. Party A has a lower boundary of 216,543,600 (120%) and an upper boundary of 234,588,900 (130%). Party A is an existing proponent and the value of unfinished work for Party A is 180,000,000. As the allocation of unfinished work does not exceed the lower boundary for Party A, JV-A will be **eligible** to submit proposals for further RFPs when the lower boundary is considered.

Scenario 2

Project 3 has a value of 215,390,000. When this value is allocated between both parties in JV-1, Party A and Party B will have a project value of 107,000,000. For Party A, the sum of project value and unfinished work accounts to 287,000,000. This value exceeds the upper boundary of 234,588,900 for Party A and therefore, JV-A is **ineligible** due to limitations by value when considering the upper boundary for Party A.

EXAMPLE 3 – EXISTING JOINT VENTURE (JV) WITH ONGOING PROJECTS

Scenario 1

Party C and Party D have formed JV-2 with 70% equity ownership for Party C and 30% ownership for Party D. Both parties are existing JVs with ongoing projects. Party C has an average revenue of 41,994,000 for the past 3 years making their lower boundary value 50,392,800 (120%) and upper boundary 54,592,200 (130%) accordingly. The value of unfinished work for the JV-2 is 52,000,000. When this value is allocated between the companies, according to their proportionate share of ownership, Party C will have a value for allocation of unfinished work as 36,400,000, while Party D will have a value of 15,600,000.

Party C wishes to submit a proposal by forming JV-3 with Party B. Party C has 60% equity ownership and Party B has 40% equity ownership. The average revenue for the past 3 years and unfinished work value for Party C allocated from projects with JV-2 will be carried forward.

Project 3 has a value of 215,390,000. When this value is allocated between both parties in JV-3, Party C will have a project value of 129,234,000. For Party C, the sum of project value and unfinished work accounts to 165,634,000. This value exceeds the upper boundary of 54,592,200 and therefore, JV-C is **ineligible** due to limitations by value when considering the upper boundary.

ANNEXURE 2 - LIMIT BY NUMBER

EXAMPLE 1 – JOINT VENTURE (JV)

Party A and Party B have formed JV-1 with 60% equity ownership for Party A and 40% ownership for Party B. JV-1 is carrying out 2 office development projects. Since Party A is the majority shareholding party, this party becomes ineligible to submit proposals for office development projects as they reached the limit of a maximum of two projects, similar in nature.

