

Revised RISK MANAGEMENT
POLICY



{ REGISTERED WITH NATIONAL HOUSING BANK
(NHB) }
(PHFL)

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I. Introduction

Prosper Housing Finance Limited (hereinafter referred to as PHFL) is a Public Limited Company incorporated under Companies Act, 1956 and governed by Directives of National Housing Bank. The Policy has been revised after incorporating certain amendments. The Purpose of the Document is to define the Risk Management System adopted by the Company. This is a living document and supposes to be updated on regular Basis.

a) Risk

Risks are events of conditions that may occur and whose occurrence, if it does take place has a harmful or negative impact on the achievement of the organizations business objective, The exposures to the consequences of uncertainly constitutes a risk.

b) Risk Management

Risk Management is the process of systematically identifying, quantifying and managing all risks and opportunities that can affect achievement of corporation's strategic and financial goals.

c) Risk Strategy

The Risk Strategy of a company defines the company's standpoint towards dealing with various risks associated with the business. It includes the company's decision on the risk tolerance levels, and acceptance, avoidance or transfer of risks faced by the company.

d) Risk Assessment

Risk Assessment is defined as the overall process of risk analysis and evaluation.

e) Risk Estimation

Risk Estimation is the process of quantification of risks.

f) Risk Tolerance/Risk Appetite

Risk tolerance or Risk appetite indicates the maximum quantum of risk which the company is willing to take as determined from time to time in accordance with the Risk Strategy of the company.


The image shows a circular stamp with the text "PROSPER HOUSING FINANCE LTD." around the top and "NEW DELHI" around the bottom. Overlaid on the stamp is a handwritten signature in cursive that reads "Gaurav Kumar Srani".

g) Risk Description

A Risk Description is a comprehensive collection of information about a particularly risk recorded in a structured manner.

h) Risk Register

A Risk Register is a tool for recording the risks encountered at various locations and levels in a standardized format of Risk Description.

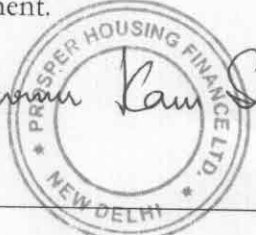
II. Objective of the Policy

The main objective of this policy is to ensure sustainable business growth with stability and to promote a pro-active approach in reporting, evaluating and resolving risks associated with the business. In order to achieve the key objective, the policy establishes a structured and disciplined approach to Risk Management, including the development of the risk Matrix, in order to guide decisions on risk related issues. The specific objectives of the Risk Management Policy are:-

1. To ensure that all the current and future material risk exposures of the company are identified, assessed, quantified, appropriately mitigated and managed.
2. To establish a framework for the company's risk management process and to ensure companywide implementation.
3. To ensure systematic and uniform assessment of risks related with construction projects and operational power stations.
4. To enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
5. To assure business growth with financial stability.

III. Risk Management Policy

In order to fulfill the objectives of this policy and lay a strong foundation for the development of an integrated risk management framework, the policy outlines the following guiding principles of Risk Management.

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A. Principles of Risk Management

1. All business decisions will be made with the prior information and acceptance of risk involved.
2. The Risk Management Policy shall provide for the enhancement and protection of business value form uncertainties and consequent losses.
3. All employees of the company shall be made aware of risks in their respective domains and their mitigation measures.
4. The risk Mitigation measures adopted by the company shall be effective in the long term and to the extent possible be embedded in the business process of the company.
5. Risk tolerance levels will be regularly reviewed and decided upon depending on the change in company's strategy.
6. The occurrence, progress and status of all risks will be promptly reported and appropriate action be taken thereof.


B. Risk Management Policy Statement

The Policy statement is as given below:-

1. To ensure protection of shareholder value through the establishment of an integrated Risk Management Framework for identifying, assessing, militating, monitoring evaluating and reporting of all risk.
2. To provide clear and strong basis for informed decision making at levels of the organization.
3. To continually strive towards strengthening the Risk Management system throughcontinues learning and improvement

IV. Scope and extent of application

The policy guidelines are devised in the context of the future growth objectives, business profile envisaged and new business endeavors including new products and services that may be necessary to achieve these goals and the emerging global standards and best practices amongst comparable organizations. Interests of the investors and thus covers all the activities within the company and events outside the company which have a bearing on the company's business. The policy shall operate in conjunction with other business and operating/administrative policies.




V. Risk Assessment

The process of Risk Assessment of PHFL shall cover the following:

- a) Risk Identification and Categorization – the process of identifying the PHFL's exposure to uncertainty classified as Strategic / Business / Operational.
- b) Risk Description – the method of systematically capturing and recording the PHFL's identified risks in a structured format.
- c) Risk Estimation – the process for estimating the cost of likely impact either by Quantitative, semi-quantitative or qualitative approach.

VI. Identification and Categorization of Risks

As defined earlier, risks are events or conditions that may occur, and whose occurrence, if it does take place, has a harmful or negative impact on the achievement of the organization's business objectives.

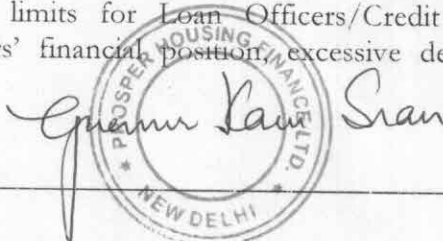
Key characteristics by which risks will be identified are:

- Risks are adverse consequences of events or changed conditions
- Their occurrence will be identified by the happening of trigger events
- Their occurrence is uncertain and will have different extents of likelihood

Recognizing the kind of risks that PHFL will be exposed to, risks will be classified broadly into the following categories:

A. Credit Risk

Lending involves a number of risks. Credit risk or default risk involves inability or unwillingness of a customer or counterparty to meet commitments in relation to lending, trading, hedging, settlement and other financial transactions. The Credit Risk is generally made up of transaction risk or default risk and portfolio risk. The portfolio risk in turn comprises intrinsic and concentration risk. The credit risk of a bank's portfolio depends on both external and internal factors. The external factors are the state of the economy, wide swings in commodity/equity prices, foreign exchange rates and interest rates, trade restrictions, economic sanctions, Government policies, etc. The internal factors are deficiencies in loan policies/administration, absence of prudential credit concentration limits, inadequately defined lending limits for Loan Officers/Credit Committees, deficiencies in appraisal of borrowers' financial position, excessive dependence on


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collaterals and inadequate risk pricing, absence of loan review mechanism and post sanction surveillance, etc.

The management of credit risk would receive the top management's attention and the process would encompass:

- a) Measurement of risk through credit rating/scoring;
- b) Quantifying the risk through estimating expected loan losses i.e. the amount of loan losses that bank would experience over a chosen time horizon (through tracking portfolio behavior over 5 or more years) and unexpected loan losses i.e. the amount by which actual losses exceed the expected loss (through standard deviation of losses or the difference between expected loan losses and some selected target credit loss quantile);
- c) Risk pricing on a scientific basis; and
- d) Controlling the risk through effective Loan Review Mechanism and portfolio management.

The credit risk management process would be articulated in the bank's Loan Policy, duly approved by the Board. PHFL would constitute a high level Credit Policy Committee, also called Credit Risk Management Committee or Credit Control Committee etc. to deal with issues relating to credit policy and procedures and to analyse, manage and control credit risk on a bank wide basis.

i. Instruments of Credit Risk Management

Credit Risk Management encompasses a host of management techniques, which help the PHFL in mitigating the adverse impacts of credit risk.

ii. Credit Approving Authority

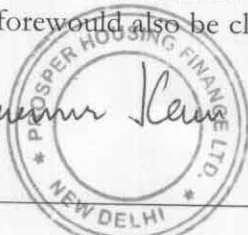
PHFL would carefully formulate the scheme of delegation of powers. PHFL would evolve multi-tier credit approving system where the loan proposals are approved by Committee. PHFL would also consider Credit approving Committees at various operating levels.

iii. Prudential Limits

In order to limit the magnitude of credit risk, prudential limits would be laid down on various aspects of credit:

- a) Stipulate benchmark current/debt equity and profitability ratios, debt service coverage ratio or other ratios, with flexibility for deviations. The conditions subject to which deviations are permitted and the authority therefore would also be clearly spelt out in the Loan Policy;

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b) Single/group borrower limits, which may be lower than the limits prescribed by Reserve Bank to provide a filtering mechanism;

c) Substantial exposure limit i.e. sum total of exposures assumed in respect of those single borrowers enjoying credit facilities in excess of a threshold limit, say 10% or 15% of capital funds. The substantial exposure limit may be fixed at 600% or 800% of capital funds, depending upon the degree of concentration risk the bank is exposed;

e) Banks may consider maturity profile of the loan book, keeping in view the market risks inherent in the balance sheet, risk evaluation capability, liquidity, etc.

iv. **Risk Rating**

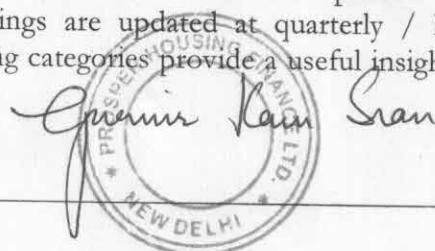
PHFL would have a comprehensive risk scoring / rating system that serves as a single point indicator of diverse risk factors of counterparty and for taking credit decisions in a consistent manner. To facilitate this, a substantial degree of standardization is required in ratings across borrowers. The risk rating system would be designed to reveal the overall risk of lending, critical input for setting pricing and non-price terms of loans as also present meaningful information for review and management of loan portfolio. The risk rating, in short, would reflect the underlying credit risk of the loan book. The rating exercise would also facilitate the credit granting authorities some comfort in its knowledge of loan quality at any moment of time.

v. **Risk Pricing**

Risk-return pricing is a fundamental tenet of risk management. In a risk-return setting, borrowers with weak financial position and hence placed in high credit risk category would be priced high. Thus, PHFL would evolve scientific systems to price the credit risk, which would have a bearing on the expected probability of default. The pricing of loans normally would be linked to risk rating or credit quality. The probability of default could be derived from the past behaviour of the loan portfolio, which is the function of loan loss provision/charge offs for the last five years or so. PHFL would build historical database on the portfolio quality and provisioning / charge off to equip themselves to price the risk. But value of collateral, market forces, perceived value of accounts, future business potential, portfolio/industry exposure and strategic reasons may also play important role in pricing. Flexibility would also be made for revising the price (risk premia) due to changes in rating / value of collaterals over time

vi. **Portfolio Management**

The existing framework of tracking the Non Performing Loans around the balance sheet date does not signal the quality of the entire Loan Book. Banks evolve proper systems for identification of credit weaknesses well in advance. Most of this process would be meaningful only if the borrower-wise ratings are updated at quarterly / half-yearly intervals. Data on movements within grading categories provide a useful insight into the


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nature and composition of loan book. The PHFL would also consider the following measures to maintain the portfolio quality:

- 1) stipulate quantitative ceiling on aggregate exposure in specified rating categories, i.e. certain percentage of total advances would be in the rating category of 1 to 2 or 1 to 3, 2 to 4 or 4 to 5, etc.;
- 2) Evaluate the rating-wise distribution of borrowers in various industry, business segments, etc.
- 3) Exposure to one industry/sector would be evaluated on the basis of overall rating distribution of borrowers in the sector/group. In this context, PHFL would weigh the pros and cons of specialisation and concentration by industry group. In cases where portfolio exposure to a single industry is badly performing, the banks may increase the quality standards for that specific industry;
- 4) Target rating-wise volume of loans, probable defaults and provisioning requirements as a prudent planning exercise. For any deviation/s from the expected parameters, an exercise for restructuring of the portfolio would immediately be undertaken and if necessary, the entry-level criteria could be enhanced to insulate the portfolio from further deterioration;
- 5) Introduce discriminatory time schedules for renewal of borrower limits. Lower rated borrowers whose financials show signs of problems would be subjected to renewal control twice/thrice in year.

vii. Loan Review Mechanism (LRM)

LRM is an effective tool for constantly evaluating the quality of loan book and to bring about qualitative improvements in credit administration. PHFL would, therefore, put in place proper Loan Review Mechanism for large value accounts with responsibilities assigned in various areas such as, evaluating the effectiveness of loan administration, maintaining the integrity of credit grading process, assessing the loan loss provision, portfolio quality, etc. The main objectives of LRM would be:

- i. To identify promptly loans which develop credit weaknesses and initiate timely corrective action;
- ii. To evaluate portfolio quality and isolate potential problem areas; to provide information for determining adequacy of loan loss provision;
- iii. To assess the adequacy of and adherence to, loan policies and procedures, and to monitor compliance with relevant laws and regulations; and
- iv. To provide top management with information on credit administration, including credit sanction process, risk evaluation and post-sanction follow-up.

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- v. PHFL would formulate Loan Review Policy and it would be reviewed annually by the Board. The Policy would, inter alia, address:

a) Qualification and Independence

The Loan Review Officers would have sound knowledge in credit appraisal, lending practices and loan policies of the bank. They would also be well versed in the relevant laws/regulations that affect lending activities. The independence of Loan Review Officers would be ensured and the findings of the reviews would also be reported directly to the Board or Committee of the Board.

b) Frequency and Scope of Reviews

The Loan Reviews are designed to provide feedback on effectiveness of credit sanction and to identify incipient deterioration in portfolio quality. Reviews of high value loans would be undertaken usually within three months of sanction/renewal or more frequently when factors indicate a potential for deterioration in the credit quality. The scope of the review would cover all loans above a cut-off limit.

c) Depth of Reviews

The loan reviews would focus on: Approval process; Accuracy and timeliness of credit ratings assigned by loan officers; Adherence to internal policies and procedures, and applicable laws / regulations; Compliance with loan covenants; Post-sanction follow-up; Sufficiency of loan documentation; Portfolio quality; and Recommendations for improving portfolio quality

The findings of Reviews would be discussed with line Managers and the corrective actions would be elicited for all deficiencies. Deficiencies that remain unresolved would be reported to top management.

B. Market Risk

Traditionally, credit risk management was the primary challenge for banks. With progressive deregulation, market risk arising from adverse changes in market variables, such as interest rate, 11 foreign exchange rate, equity price and commodity price has become relatively more important. Even a small change in market variables causes substantial changes in income and economic value of banks. Market risk takes the form of:

- 1) Liquidity Risk
- 2) Interest Rate Risk
- 3) Foreign Exchange Rate (Forex) Risk



4) Commodity Price Risk and

5) Equity Price Risk

a) **Market Risk Management**

Management of market risk would be the major concern of top management of banks. The Boards would clearly articulate market risk management policies, procedures, prudential risk limits, review mechanisms and reporting and auditing systems. The policies would address the bank's exposure on a consolidated basis and clearly articulate the risk measurement systems that capture all material sources of market risk and assess the effects on the bank. The operating prudential limits and the accountability of the line management would also be clearly defined. The Asset-Liability Management Committee (ALCO) would function as the top operational unit for managing the balance sheet within the performance/risk parameters laid down by the Board.

b) **Liquidity Risk**

Liquidity Planning is an important facet of risk management framework in banks. Liquidity is the ability to efficiently accommodate deposit and other liability decreases, as well as, fund loan portfolio growth and the possible funding of off-balance sheet claims. A bank has adequate liquidity when sufficient funds can be raised, either by increasing liabilities or converting assets, promptly and at a reasonable cost. It encompasses the potential sale of liquid assets and borrowings from money, capital and forex markets. Thus, liquidity would be considered as a defence mechanism from losses on fire sale of assets.

The liquidity risk of HFCs arises from funding of long-term assets by short-term liabilities, thereby making the liabilities subject to rollover or refinancing risk.

The liquidity risk in banks manifest in different dimensions:

- i) Funding Risk – need to replace net outflows due to unanticipated withdrawal/nonrenewal of deposits (wholesale and retail);
- ii) Time Risk - need to compensate for non-receipt of expected inflows of funds, i.e. performing assets turning into non-performing assets; and 12
- iii) Call Risk - due to crystallization of contingent liabilities and unable to undertake profitable business opportunities when desirable.

The first step towards liquidity management is to put in place an effective liquidity management policy, which, inter alia, would spell out the funding strategies, liquidity planning under alternative scenarios, prudential limits, liquidity reporting / reviewing, etc.


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a) Alternative Scenarios

The liquidity profile of HFCs depends on the market conditions, which influence the cash flow behavior. Thus, PHFL would evaluate liquidity profile under different conditions, viz. normal situation, market crisis scenario. PHFL would establish benchmark for normal situation; cash flow profile of on / off balance sheet items and manages net funding requirements

b) Contingency Plan

PHFL would prepare Contingency Plans to measure their ability to withstand bank-specific or market crisis scenario. The blue-print for asset sales, market access, capacity to restructure the maturity and composition of assets and liabilities would be clearly documented and alternative options of funding in the event of bank's failure to raise liquidity from existing source/s could be clearly articulated. Liquidity from the National Housing Bank, arising out of its refinance window and interim liquidity adjustment facility or as lender of last resort would not be reckoned for contingency plans. Availability of back-up liquidity support in the form of committed lines of credit, reciprocal arrangements, liquidity support from other external sources, liquidity of assets, etc. would also be clearly established.

c) Interest Rate Risk (IRR)

The management of Interest Rate Risk would be one of the critical components of market risk management in banks. The regulatory restrictions in the past had greatly reduced many of the risks in the banking system. Deregulation of interest rates has, however, exposed them to the adverse impacts of interest rate risk. The Net Interest Income (NII) or Net Interest Margin (NIM) of banks is dependent on the movements of interest rates. Any mismatches in the cash flows (fixed assets or liabilities) or repricing dates (floating assets or liabilities), expose banks' NII or NIM to variations. The earning of assets and the cost of liabilities are now closely related to market interest rate volatility.

Interest Rate Risk (IRR) refers to potential impact on NII or NIM or Market Value of Equity (MVE), caused by unexpected changes in market interest rates. Interest Rate Risk can take different forms:

d) Basis Risk

Market interest rates of various instruments seldom change by the same degree during a given period of time. The risk that the interest rate of different assets, liabilities and off-balance sheet items may change in different magnitude is termed as basis risk. The degree of basis risk is fairly high in respect of banks that create composite assets out of composite liabilities. The Loan book in India is funded out of a composite liability portfolio and is exposed to a considerable degree of basis risk. The basis risk is quite visible in volatile interest rate scenarios. When the variation in market interest rate causes the NII to expand; the banks have experienced favourable basis shifts and if the interest rate movement causes the NII to contract, the basis has moved against the banks.

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e) Price Risk

Price risk occurs when assets are sold before their stated maturities. In the financial market, bond prices and yields are inversely related. The price risk is closely associated with the trading book, which is created for making profit out of short-term movements in interest rates. Banks which have an active trading book would, therefore, formulate policies to limit the portfolio size, holding period, duration, defeasance period, stop loss limits, marking to market, etc.

f) Reinvestment Risk

Uncertainty with regard to interest rate at which the future cash flows could be reinvested is called reinvestment risk. Any mismatches in cash flows would expose the banks to variations in NII as the market interest rates move in different directions.

g) Measuring Interest Rate Risk

Before interest rate risk could be managed, they would be identified and quantified. Unless the quantum of IRR inherent in the balance sheet is identified, it is impossible to measure the degree of risks to which HFCs are exposed. It is also equally impossible to develop effective risk management strategies/hedging techniques without being able to understand the correct risk position of banks. The IRR measurement system would address all material sources of interest rate risk including gap or mismatch, basis, embedded option, yield curve, price, reinvestment and net interest position risks exposures. The IRR measurement system would also take into account the specific characteristics of each individual interest rate sensitive position and would capture in detail the full range of potential movements in interest rates.

There are different techniques for measurement of interest rate risk, ranging from the traditional Maturity Gap Analysis (to measure the interest rate sensitivity of earnings), Duration (to measure interest rate sensitivity of capital), Simulation and Value at Risk. While these methods highlight different facets of interest rate risk, many HFCs use them in combination, or use hybrid methods that combine features of all the techniques.

C. Operational Risk

Managing operational risk is becoming an important feature of sound risk management practices in modern financial markets in the wake of phenomenal increase in the volume of transactions, high degree of structural changes and complex support systems. The most important type of operational risk involves breakdowns in internal controls and corporate governance. Such breakdowns can lead to financial loss through error, fraud, or failure to perform in a timely manner or cause the interest of the bank to be compromised.

Generally, operational risk is defined as any risk, which is not categorised as market or credit risk, or the risk of loss arising from various types of human or technical error. It is

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also synonymous with settlement or payments risk and business interruption, administrative and legal risks. Operational risk has some form of link between credit and market risks. An operational problem with a business transaction could trigger a credit or market risk.

a) Measurement

There is no uniformity of approach in measurement of operational risk in the banking system. Besides, the existing methods are relatively simple and experimental, although some of the international banks have made considerable progress in developing more advanced techniques for allocating capital with regard to operational risk. Measuring operational risk requires both estimating the probability of an operational loss event and the potential size of the loss. It relies on risk factor that provides some indication of the likelihood of an operational loss event occurring. The process of operational risk assessment needs to address the likelihood (or frequency) of a particular operational risk occurring, the magnitude (or severity) of the effect of the operational risk on business objectives and the options available to manage and initiate actions to reduce/ mitigate operational risk. The set of risk factors that measure risk in each business unit such as audit ratings, operational data such as volume, turnover and complexity and data on quality of operations such as error rate or measure of business risks such as revenue volatility, could be related to historical loss experience. PHFL would also use different analytical or judgmental techniques to arrive at an overall operational risk level. Some of the international banks have already developed operational risk rating matrix, similar to bond credit rating.

VII. Risk Description

A risk description helps in understanding the nature and quantum of risk and its likely impact and possible mitigation measures. Risk descriptions for each of the risks identified in the Risk Matrix are to be documented and recorded in a structured format in each area where the risk is identified. The suggested format is provided below:

Risk Description

1	Name of Risk	Short description by which the risk may be referred to
2	Scope of Risk	Qualitative description of the events by which the occurrence of the risk may be identified, any measurement indicating the size, type, number of the events and their related dependencies
3	Nature of Risk	Strategic/ Business/ Operational
4	Stakeholders	List of stakeholders affected and impact on their

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		expectations
5	Quantification of Risk	Cost of impact, if risk materializes
6	Risk Tolerance and Trigger	Loss potential and financial impact of risk on the business Value at Risk Probability of occurrence and size of potential losses Objective(s) for control of the risk and desired level of performance to assimilate Risk Trigger
7	Risk Treatment & Control Mechanisms	Primary means by which the risk is currently being managed Levels of confidence in existing control system Identification of protocols for monitoring and review of the process of treatment and control
8	Potential Action for Improvement	Recommendations to reduce the occurrence and/or quantum of adverse impact of the risk
9	Strategy and Policy Developments	Identification of function responsible for developing the strategy and policy for monitoring, control and mitigation of the risk

The various risks that the company is or can be exposed to are identified in the Risk Matrix.

VIII. Risk Estimation

In this process, the consequences of the risk occurrences have to be quantified to the maximum extent possible, using quantitative, semi-quantitative or qualitative techniques. Process of risk quantification for the company has to be qualitative, supported by quantitative impact analysis. To apply this approach, the chain of adverse consequences (refer adjacent figure), which may occur in case the identified risk materialises, would be enlisted. For each of the chains of adverse consequences, the cost impact needs to be calculated and attributed to the particular risk. In such an exercise, actual cost impacts (like claims by contractor, loss of equipment value, etc) as well as opportunity costs (like loss in realization of revenue, delay in commission of project etc) must be captured to arrive at the total cost impact of materialization of the risk. According to the adverse impact analysis for identified risks, an appropriate risk rating shall be determined for each risk identified as per the criteria below:





Based on the Risk Appetite/Risk Tolerance level determined and reviewed from time to time, the PHFL would formulate its Risk Management Strategy. The strategy will broadly entail choosing among the various options for risk mitigation for each identified risk. The risk mitigation can be planned using the following key strategies:

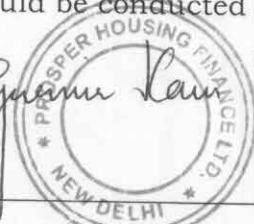
- a) **Risk Avoidance:** By not performing an activity that could carry risk. Avoidance may seem the answer to all risks, but avoiding risks also means losing out on the potential gain that accepting (retaining) the risk may have allowed.
- b) **Risk Transfer:** Mitigation by having another party to accept the risk, either partial or total, typically by contract or by hedging.
- c) **Risk Reduction:** Employing methods/solutions that reduce the severity of the loss being done for preventing landslide from occurring.
- d) **Risk Retention:** Accepting the loss when it occurs. Risk retention is a viable strategy for small risks where the cost of insuring against the risk would be greater over time than the total losses sustained. All risks that are not avoided or transferred are retained by default. This includes risks that are so large or catastrophic that they either cannot be insured against or the premiums would be infeasible.

IX. OTHER SALIENT FEATURES OF PROCEDURES ADOPTED BY PHFL TO MITIGATE THE RISKS.

Loan Appraisal and credit processing:

- The loan applications would be sourced by Marketing Team, who are employees of the company.
- Log in of loan proposals is system driven to avoid duplication.
- The genuineness of all the bank accounts would be verified by independent agency.
- In case of self-employed applicants, PHFL would verify with the Income tax department the genuineness and correctness of the return submitted.
- Building plan approvals would be verified by sending a mailer to the concerned approving authority, in line with the NHB guidelines.
- While qualified technical engineer visits the property and gives report, a second level inspection would be conducted by Recovery personnel.

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- In property inspection, the recovery personnel would ensure that the property is having good marketability at a future date, if and when a need arises.
- Before sanction, CERSAI report would be generated to adduce more strength to the legal scrutiny.
- Prior to the disbursement of high quantum loans, a pre-audit would be conducted and disbursements are made only subsequently.
- PHFL would periodically conduct FPC workshops for both the Marketing and Credit Teams. The importance of KYC / AML / adherence is stressed to ensure 100% compliance. Training on Credit processes and procedures would also be given to enhance the quality of credit appraisal.
- Similarly frequent interaction and discussions with all Branch managers will help the company to revise the credit policy norms and present it to the Board. This will certainly bring perceptible improvement in our functioning.
- Apart from the EC submitted by the customer, the company suo-moto applies for EC for the property and compares with title flow.
- Similarly, as an abundant precaution, company applies for copy of the latest sale deed with the concerned SRO directly, to ensure the genuineness of the document submitted by applicant.
- All title documents for title flow are verified by the officers at two levels. First, in house compliance Officer and second level by another lawyer at corporate office.
- Loans would not be sanctioned for speculative purposes. Hence, PHFL would not encourage loans for land purchases.
- As part of better Corporate Governance all sanctions would be reported to a level higher than the approving authorities including credit sanctions made by MD being reported to Board.
- To meet any unforeseen adverse development for the property and /or to the personnel, the PHFL would educate the customer on the importance of insuring self and the property and ensure that insurance of the property and the life of the applicant.





Accounting and Financial Management

- Our effective control on Finance management improves the profitability of the company which is strengthened by high net interest margin due to higher yield on our portfolio.
- In order to mitigate various risks, monthly file audit and Monthly Review meeting are conducted which includes ALCO meeting wherein the financial bearing aspects are discussed.
- Balances in current accounts would be reviewed closely and appropriate investment decisions would be taken to ensure maximum returns.
- Review of cash holding position and cash –in-transit amounts across branches to ensure the sums transacted would be within the policy limits.
- Focused attention on controlling expenditure at all levels and in all activities.

Recovery System

- A vibrant system in the procedure of follow up of defaulting loan accounts would be in place to mitigate any adverse impact on the funds lent.
- The PHFL will maximize efforts able to recover hard core NPA accounts through SARFAESI Act.
- Watch category account status would be reviewed for all loans periodically from the date of disbursement
- Staff Accountability formats would in place to mitigate non-performing assets by following up on the deficiencies, if any.

X. Risk Management Committee

The Risk Management Policy will be implemented through the establishment of a Risk Management Committee At the core, a Risk Management Committee will consists of the following Persons:

Name	Designation
Gurvir Kaur Sran	Managing Director/Member
Vibha Wadhwa	Chief Financial Officer/Member
Sonia Chatwal	Chief Compliance Officer/Member
Gaurav Kumar	Independent Director/Member

Mr. Gaurav Kumar, Independent Director of the Company was elected as the member of the committee date of conclusion of the RMC meeting held on 10th Jul 2024.

The overall monitoring of the Risk Cell will be done by the Director of Company. The Board will review the status and progress of the risks and risk management system on a regular basis through the Audit Committee. :





- Recovery efforts in such accounts should continue to be vigorously pursued by branches. Suits filed should be expedited to their logical conclusion by constant follow up with our advocates. Where decrees are obtained, execution proceedings should be launched without delay.
- The fact of prudential write off should be kept in strict confidence and not disclosed to the borrowers under any circumstances.
- Branch should keep a close watch on the borrowers' activities, their means, assets not charged to the bank etc., so as to mount pressure on them for recoveries.
- Delegated powers for Technical Write Off will be Board of Director

15. Review

The Board of Directors of PHFL would provide for the periodical review of the compliance of Prudential Norms in accordance with Housing Finance Companies (NHB) Directions and the functioning of Committee at the various levels of Management.

FOR PROSPER HOUSING FINANCE LIMITED



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Gurvir Kaur San
(Managing Director)
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