

PHF LEASING LIMITED

923, G.T. ROAD, JALANDHAR

FOUR WHEELER CREDIT POLICY

CREDIT POLICY

INTRODUCTION

PHF LEASING LIMITED is a Public Company primarily engaged in financing of all type of Vehicles, Commercial Vehicles, Two Wheelers and Three Wheelers which are either generating income or has economic value to the customer in India. Further, it is promoting low cost financing to its Borrowers who are predominantly located in rural and semi urban areas in the state of Punjab.

OBJECTIVE

It is also necessary to state the objectives of the Company's Credit Policy so as to understand its scope and limits.

- To prescribe a broad framework of guidelines for credit function.
- To put in place, guidelines for types of credit facilities, lending norms including assessment of credit requirement, security, margin, pricing, delivery system etc.
- To achieve credit growth with asset quality, optimum yield and enduring business relationship.
- To provide flexibility in decision-making and credit operations but within prudential and other norms so that (i) good business opportunity is not lost, (ii) business relationship is sustained (iii) new business is built up on a regular basis; (iv) customer experiences satisfaction and rates our Company as the first choice.
- To build a reputation for the company to be perceived as competitive with professional standards, integrity.
- To bring uniformity in all branches to make credit assessment as mentioned in credit policy.

SCOPE OF CREDIT POLICY (Four Wheeler)

- ❖ The Credit Policy lays down the basic credit philosophy and culture, broad framework of lending norms, assessment methodology, parameters for decision-making, regulatory and prudential guidelines and broad approach to lending rationale and practices.
- ❖ Credit Policy should be read in conjunction with various Branch Circulars issued by Credit Department. The operating personnel in credit should be fully aware of the Credit Policy and other circulars.

- ❖ Branches will not discriminate on grounds of caste, sex, religion and region in the matter of lending.

- ❖ Regulatory guidelines / norms and other directions issued from time to time by GOI, RBI should be incorporated in the Credit Policy or other documents mentioned above, as appropriate, by the functional departments relating to credit at Head Office.

This policy lays down the detailed norms for, Credit Appraisal, Pre-Disbursement verification and Post-Disbursement follow up, Documentation and Delegation of power.

ELIGIBILITY

The Company will generally provide credit against tangible and secured Assets.

COVERAGE OF CLIENTELE:

The principles underlying the Credit Policy would be applicable to the exposures undertaken in all branches of the Company. The Policy encompasses all types of customers from various segments. It comprises of following types of customers such as:

- Individuals,
- H.U.F.s,
- Proprietorship Firms,
- Trusts,
- Societies,

- Association of Persons,
- Companies registered under the Indian Companies Act,
- Undertakings owned by the Government and Others.

FOUR WHEELER LOAN ELIGIBILITY CRITERIA

There are certain factors or criteria which needs to be satisfied before loan applications are approved. They are:-

1. AGE - Minimum 18 years & Maximum 60 Years
2. NATIONALITY - Indian
3. RESIDENCE
 - a) Minimum 1 Year in Same residence place
 - b) House should be owned (No rented)
4. EMPLOYMENT
 - a) Salaried or Self-employed
 - b) Employed/In-business for at least 1 year.
Minimum monthly income should be Rs. 30000/-

CREDIT FOR VEHICLE Terms and Conditions

Installments	Minimum – 12 months
	Maximum – 42 months
LTV	<p>Pre-owned: minimum 50% of the Market Value of the vehicle + Insurance</p> <p>70% with deviation</p> <p>New: 85% of the Invoice Price</p>

Interest Rate	Flat 13%-16%. Average – 15%
Credit Score	Preferred above 650 or -1 Below 650 and upto 600: with the approval of Zonal Manager Below 600: with the approval of Director/Whole-time Director
Collateral Type	Vehicle
Co – Applicant / Co borrower	Spouse/ Immediate Female Relative of the borrower (Mandatory)
Guarantor Type	Two Guarantor, other than Blood relative. Also Guarantee of the owner of the house where borrower resides to be obtained.
Mode of Disbursement	Payment to seller, in case payment to borrower is made possession of the vehicle is to be verified.
Mode of Repayment	NACH Mandate + PDC for first two EMIs
Fixed Days of Repayment	5 th , 11 th & 21 st of every month

Processing Fee	As may be decided by the Investment and Credit Committee from time to time which may depend upon the nature of borrower and the area of operation
Prepayment and foreclosure	Less than 6 months of maturity – 4% of the Principal outstanding as per reducing Rate of Interest More than 6 month - 3% of the principal outstanding as per reducing rate of interest (deviation to the above may be allowed by Zonal Manager)
Advance EMI	It will be obtained if accepted by customer
Insurance	Motor Insurance will be done till the tenure of

	the loan. The insurance amount for second year onwards shall be amortized in the installments
Cheque Bouncing/ NACH Failure	500+ GST. No further NACH would be would be applied for that month and the collection against NACH failure would be done in cash only.
Overdue Charges	3% per month or part of the month of overdue EMI amount.
PDC	2 PDC for 1 st two installments
Security Cheque	2 Borrower cheques, 2 co-borrower cheques and 2 Guarantor cheques (Optional)
Repossession Charges	As may be decided by the Investment and Credit Committee or actual amount spent whichever is higher.
Customer Visit Charges	Rs. 450/- + GST per visit or actual whichever is higher
FLDG	As may be obtained/accrued at the time of disbursement as per the satisfaction of the sanctioning authority which may be received upfront or out of future installments.

Deviation: Any deviation to the policy not specified above can be done by the Director/Whole-Time Director.

CREDIT APPRAISAL

1) IDENTIFICATION OF CUSTOMER

Whenever a customer approaches the Company for finance, identification of customer shall be verified by Staff. CIBIL verification of the customer shall be done immediately. The Staff will verify the credentials of the customer and will submit a Customer Verification Report in the format provided in Annexure-1 to the sanctioning Authority which will form part of Customer's file.

2) CONFIRMATION OF GUARANTOR'S

In every case guarantor's credential will be verified by field staff. CIBIL verification of the guarantor shall be done immediately. Field Staff will fill a Guarantor's Verification Report (Annexure-2) and submit to the sanctioning authority.

3) VEHICLE INVESTIGATION

Before financing a used vehicle, the field staff will make a survey about the Vehicle. They will fill Vehicle Inspection Report and this report will be a part of Customer's file.

4) TRACK RECORD

Previous Track Record of existing customer should also be verified. Track Record of previous loans from other financiers or banks of the new Customer will be checked by collecting installments receipts, passbook or any other document available with the customer.

5) REPAYMENT CAPACITY

Special care will be taken to assess the repayment capacity of the customer. The monthly EMIs for all the existing loans and new loan should not exceed 60% of the monthly income of the borrower.

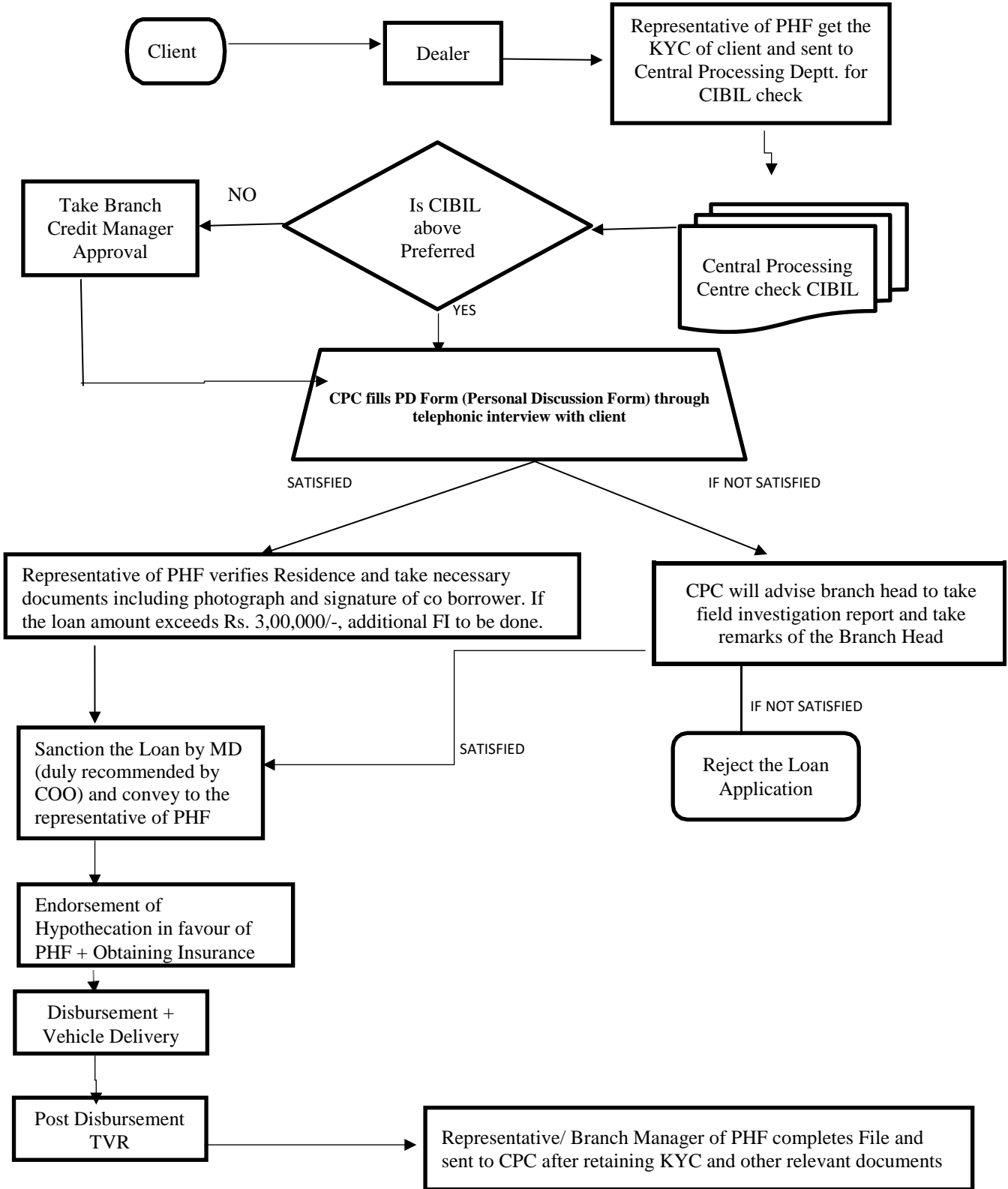
SANCTION OF ADVANCES

The sanctioning Authority shall after perusing the material on record and satisfying itself about the Credit Appraisal sanction the case for financing.

- i. Upto 6,00,000 : Zonal Manager**
- ii. More than 6,00,000: Director/ Investment and Credit Committee**

In case the loan amount is greater than Rs. 6,00,000/-, verification from Head office would be mandatorily required.

Four Wheeler Credit Process



DOCUMENTATION

1. The following documents shall be executed by the credit department:-

- a) Valid id proof (as per RBI Norms)
 - Passport
 - Driving License
 - Voter ID Card
 - Aadhar Card with declaration
 - PAN Card
 - Valid ID Proof- as per RBI Norms

- b) Proposal Form
- c) Personal Statement of Guarantor
- d) Proof of residence of the Borrower/Co-Borrower/Guarantor
 - Passport
 - Driving License
 - Aadhar Card with declaration
 - Electricity Bill (Last 2 months)
 - Ration Card
 - Gas Bill with Gas Book

- e) Recent passport size colour photographs
- f) Income proof documents
- g) Bank statement for 6 months
- h) Copy of Insurance Policy
- i) Copy of Registration Certificate of the Vehicle in case of Used Vehicles
- j) Permit of plying the Vehicle.
- k) Sale Agreement of the Seller
- l) Agreement
- m) Acknowledgement of Agreement
- n) Evidence of immovable property, if any
- o) Promissory Note
- p) Post-dated cheques to the extent possible
- q) Any other document as advised by PHF Leasing Limited
- r) NACH Mandate

2. VETTING OF DOCUMENTS

The documents executed by the Borrower/Co-borrower/Guarantor will be vetted by Company Secretary/Law Officer or any other competent person authorized by the Board.

PRE-DISBURSEMENT VERIFICATION

Mandatory for all cases

1) De Duplication checks:

Given customer details will be matched on various parameters against existing customer base based on our system. These matches are further classified as Positive or Negative match.

Positive- Existing customer with no overdue on any live loans with us, not more than once 30+ dpd in last 12 months.

Negative- Existing customer with overdue on any live loans with us, not more than once 30+ dpd in last 12 months.

2) De Duplication check- RBI defaulter list

Credit manager will perform a similar dedupe with RBI defaulter list. Dedupe match will be again classified as Positive or Negative.

Positive- Exact match

Negative- No match

Note: Negative match cases to be declined and rejected on system.

3) CIBIL Verification by Head office

- Minimum CIBIL score of 650 (-1, 0, 1 score).
- CIBIL report will again be classified as Positive Cibil or Negative Cibil.
- Negative Cibil will be processed further with as deviation.
- Refer Cibil policy for details.

4) Verification Process

- Telephone verification by Head Office needs to be conducted on phone numbers provided. It's advisable to collect additional contact numbers and note.

- Primary purpose of telephone verification is to establish contactability on numbers provided and collect information as required for credit appraisal for identification of customer.
- During telephone verification the basic details provided on application form need to be confirmed and schedule personal discussion with borrower.
- Details of the telephone verification need to be filled in the Customer verification report which will be referred as personal discussion form which will be formed as base for credit sanctioning.

If satisfied with telephonic verification

Representative of PHF Leasing Limited will verify the residence and business details of customer.

Field investigation cum PD process will be performed by the designated authority at field level. He visits the business and residential premises of the applicant in order to assess the credibility of the information captured in the Customer Profile Form and assess the credit worthiness of the applicant, co-applicant and guarantor. Branch Manager / PD Authority will fill the BM FI cum Personal Discussion form. He has the full right to reject the application if he found any deviation in the process. Agenda of FI cum PD process will include the following:

- House Visit of Borrower
- Clicking of Photograph of the House along with the Borrower
- Geo-tagging through the communicated software/application.
- Reference Check
- Verification of Business/Employer
- Verification of Guarantor
- Verification of Household assets
- Verification of CB report
- Documentation formalities of borrower
- Income assessment.
- Verification of Bank Passbook.
- Verification of Pre loan documentation.
- Risk assessment
- Ensuring RBI and NBFC Guidelines.
- Cash flow analysis.
- Verification of Credit History.
- Reputation of family.

If the FI officer is satisfied, the loan will be recommended for sanction.

ENTRY OF HIRE PURCHASE/LEASING/HYPOTHECATION

It shall be strictly ensured by the Credit Manager that necessary entry with regard to Hire Purchase/Leasing/Hypothecation has been entered in the records of the Transport Authority and in the Registration Certificate of the Vehicle. A copy of the Registration Certificate shall be placed on the file of the Customer.

DISBURSEMENT OF ADVANCES

Disbursement of Advances will be made by Direct Payment to Seller in the form of Cheque / Draft. In exceptional circumstances, payment can be made to Seller in the form of Cheque / Draft in his name provided sufficient proof is furnished regarding the payment made to the seller. In case, payment to borrower is made, possession of the vehicle is to be verified.

POST DISBURSEMENT VERIFICATION

Telephone verification need to be conducted on phone numbers provided. Details of the telephone verification need to be filled in the telephone verification report format provided in Annexure- 3.

The Field Staff will submit a Vehicle Inspection Report for each case at least once in a year. Along with Vehicle Inspection Report they will also verify the renewal of insurance, Registration Certificate and complete other documents as may be required.

DELEGATION OF POWER

The Board shall have the supreme power to sanction any type of advance. The Managing Director shall have the power to sanction secured advances against tangible security. The Board may from time to time authorize any director or any executive including Branch functionaries to sanction advance as the Board may deem fit.

REPORTING

All the Credit transactions shall be reported to the Board at least on quarterly basis. However, the Board may prescribe early reporting of the transactions.

EXCEPTION

Any Exception to the Policy shall be confirmed and approved by the Whole-time Director/ Director

Customer verification report format (Annexure 1)

1. Name (From Proof)	
2. Father Name (From Proof)	
3. Address (from Proof)	
4. Rental /owned House	
5. No. of Dependent family borrower	
6. Occupation of the Person	
7. Complete details of the employer, if employed, along with contact details.	
8. Estimated Monthly income of the Person total + in hand	
9. TV, fridge any item in house	
10. No. of Livestock in the house	
11. Existing loan on borrower	
12. Any Criminal Case on the Person or on his family Borrower	
13. Political Link/drug Addiction	
14. Remark regarding goodwill in the Area	
15. Existing Loans	
16. Total Income	
17. Disposable Income	
18. Stability in Business	
19. Permanent Resident in Punjab	

Guarantor verification report format (Annexure 2)

1. Name (From Proof)	
2. Father Name (From Proof)	
3. Address (from Proof)	
4. Relation with the borrower and since how long	
5. Rental /owned House	
6. No. of Dependent family borrower	
7. Occupation of the Person	
8. Estimated Monthly income of the Person	
9. TV, fridge any item in house	
10. No. of Livestock in the house	
11. Any Criminal Case on the Person or on his family Borrower	
12. Political Link/drug Addiction	
13. Remark regarding goodwill in the Area	
14. Total Income	
15. Disposable Income	
16. Stability in Business	
17. Permanent Resident in Punjab	

Post Disbursement Telephonic verification format (Annexure - 3)

1. Name (From Proof)	
2. Father Name (From Proof)	
3. Address (from Proof)	
4. Amount Sanctioned	
5. Rate of Interest	
6. EMI	
7. No. of Installments	
8. Confirmation of Cash payments made at the Dealer end, if any.	
9. Confirmation of any commission/brokerage paid to dealer or employee, if any.	
10. Name & Relation of Guarantor(s)	
11. Details of receipts received and amount on each receipt.	