PROJECT REPORT (17MBAPR407)

"A STUDY ON CREDIT RISK MANAGEMENT AT PIRAMAL CAPITAL AND HOUSING FINANCE LIMITED, BENGALURU"

Submitted By

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USN: 1AY17MBA38

Submitted to

VISVESVARAYA TECHNOLOGICAL UNIVERSITY, BELAGAVI

In partial fulfillment of the requirements for the award of the degree of

MASTER OF BUSINESS ADMINISTRATION

Under the guidance of

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Piramal
Capital & Housing Finance

To whomsoever it may concern

This is to certify that **Mr. RAGHAVA .H (USN : 1AY17MBA 38**), a MBA student from **Acharya Institute of Technology, Bangalore** , has successfully completed internship from 3rd January to 16th February 2019,in our organization.

He was under the guidance of the undersigned and the topic of the project was

"CREDIT RISK MANAGEMENT.

We wish him all the best in his career ahead.

For Piramal Capital & Housing Finance Limited

Piramal Capital & Housing Finance

Nidesh Kumar
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Authorised Signatory

Date: 09/04/2019

CERTIFICATE

This is to certify that **Mr. Raghava H** bearing USN **1AY17MBA38** is a bonafide student of Master of Business Administration course of the Institute 2017-19 batch, affiliated to Visvesvaraya Technological University, Belagavi. Project report on **"A Study on Credit Risk Management at Piramal Capital and Housing Finance Ltd, Bengaluru"** is prepared by him under the guidance of **Prof. Shashi Kumar C R.** in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belagavi, Karnataka.

Shashi Kumar C.R.

Signature of Internal Guide

9/4/19

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Signature of Principal/Dean Academics

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DECLARATION

I, **Raghava H**, hereby declare that the Project report entitled "Credit Risk Management" with reference to "Piramal Capital and Housing Finance, Bengaluru" prepared by me under the guidance of **Mr.Shashi kumar C R, professor of M.B.A Department**, Acharya Institute of Technology and external assistance by **Mr.Nitesh Kumar, Sales Manager ,** Piramal Capital and Housing Finance Limited, Bengaluru.

I also declare that this Project work is towards the partial fulfillment of the university Regulations for the award of degree of Master of Business Administration by Visvesvaraya Technological University, Belagavi.

I have undergone a summer project for a period of Six weeks. I further declare that this Project is based on the original study undertaken by me and has not been submitted for the award of any degree/diploma from any other University / Institution.

Place: Bengaluru
Date: 11/04/2019

Signature of the student

ACKNOWLEDGEMENT

I wish to express my sincere thanks to our respected Principal, **Dr. Prakash M R,** beloved Dean-Academics**, Dr. Devarajaiah R M**, and deep sense of gratitude to **Dr. M M Bagali**, HOD, Acharya Institute of Technology, Bengaluru for their kind support and encouragement in completion of the Project Report.

I would like to thank **Mr.Shashi Kumar C R,** Professor, Department of MBA, Acharya Institute of Technology, Bengaluru and external guide **Mr.Nitesh Kumar, Sales Manager, Piramal Capital and Housing Finance Limited, Bengaluru**, who gave me golden opportunity to do this wonderful Project in the esteemed organization, which helped me to learn various concepts.

Finally, I express my sincere thanks to my Parents, Friends and all the Staff of MBA department of AIT for their valuable suggestions in completing this Project Report.

Place: Bengaluru Raghava.H

Date: USN: 1AY17MBA38

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EXECUTIVE SUMMARY

The concept of credit risk management is the risk outstanding to uncertainty regarding the counterparty's ability to meet obligations. Because there are many types of counterparty's ability to meet the obligations. Because there are many types of obligations credit risk take many forms. The object also tries to find the efficiency of credit risk concept in the co-operative banks.

The project also tries to analyze the lending has been the prior function of banking and exactly appraising barrowers credit worthiness has been the only method of lending successfully, the method of analysis required varies in functions of types of lending being considered, it actually helps in measurement of finance in complete detailed manner"

The major objective is to control the credit risk of the bank when they are issuing loans to the required customers and also to giving some suggestions for proper utilization of loan amount and repayment of the same.

The loan amount has covered different types of areas, where much covered is semi urban and rural centre, it is very necessary to give to guide lines for customer regarding loans.

Non-performing assets affects thereby the management adversely. The freeze assets and convert short term claims into long term. However, is that non-performing assets affects the outsider's perception of the bank. As a result, it would not have a very negative impact on the bank.

CHAPTER – 1

INTRODUCTION

1.1. INTRODUCTION ABOUT THE PROJECT

Project is mainly done for the purpose to gain the practical knowledge to the students and gain the knowledge and also the work experience on selected topic and provides an idea how the theoretical knowledge should be applied on the practical working field. It also helps to boost in your Resume on work experience and understand the organization structure.

The intern is relied upon to give data on the organization in which he or she worked portrayals of the particular work finished and particular work finished and particular games additionally recreational angles relevant to the assigned out assignments. The report likewise gives data on your relational abilities and ought to show basic speculation aptitudes. Since a net worth piece of your experience ought to identify with either games or diversion, that ought to be exhibited in your report.

Piramal Capital and Housing Finance Limited which was comes under the NBFC's which provide financial facility to its customer with its various type of product and services. Many customers were attracted by these types of financial companies which could provide very high interest rate on the deposit comparing to the other bank or financial institution.

The aim of the company is to provide housing finance and non-housing loan at a lesser rate of interest. The expected outcome of the company is to gain more customer with the providing good customer services and better customer satisfaction.

1. 2. INDUSTRY AND COMPANY PROFILE

INDUSTRY PROFILE

Non-bank financial institutions (NBFCs) are financial institutions that provide different banking services, but NBFCs do not have a banking license. They are not allowed to attract deposits from the public.

The NFE was established in 1956. Companies registered in companies dealing with loans and advances, acquiring stocks, shares, etc. NBFC operations are managed by the Indian Reserve Bank (RBI) in accordance with India's Bank of India 1934 Act.

NBFCs are important and fast emerging segment in the Indian financial system. It is an group of institution which performing the financial activities in a different way

The approaches to direct the capacities may identify with the managing an account.

We can say that the NBFC'S refers to the company with special reference to the financial assistance and perform the basic activity of collection of deposits from its customers with its own norms and criteria to be fulfilled according to the RBI act of 1997.

These kinds of firms are increasing in number as well as their growth rate is at the peak these days. As the rate of return on deposits of these institutions are comparatively higher, more customers approach them. It takes the part on various activities such as the leasing equipment, home loans, consumer based finance activities and so on where the firms meet the higher amount of difference between the cost of demand and supply.

There are different arrangement of these organization and they are the organizations which gives the advance, Raise the venture firms, Leasing firms which incorporates enlisting exercises, shared assets, organizations in regards to home advance arrangements for business and private purposes.

How NBFCs different from Bank:

• Provide banking services to persons without banking licenses.

• NBFCs can not demand deposits.

• It is not part of the payment and settlement system

• NBFCs are not required to retain backup risks (CRR, SLR, etc.)

Advantages of NBFC's:

• Financial decisions are taken quickly.

• Less rules and regulations.

• Transaction value is low.

• Compare the interest rates of other banks with high interest rates.

• Targeted customer service and fast service.

Role of NBFC's:

As Recognized by the RBI the specific roles of a Non banking financial companies are:

- Substantially generate Employment.
- Increase the wealth creation.
- Develop the sectors like Transport and Infrastructure.
- Base economic development.
- Supplement to bank credit in rural segments.

Role of NBFC's in Economic Development:

- Converts the savings into Investment.
- Helps to increase the capital stock of the Company.
- Creation of employment opportunity.
- Providing Long-term credit.
- Developing financial markets.
- Attracting the foreign customers.
- It breaks the circle of poverty by serving as an government instrument.

RBI has come up with new set of rules and regulations to secure the customer with their deposits at financial institutions. If the firms are one among the NBFC's, they need to be divided into two main clauses; they are Loan and Investing firms as well as the finance company regarding to equipment leasing and hire purchase activities.

*

Types of NBFCs

- **Asset Finance Company(AFC):** The main business of these companies is to finance the assets such as machines, automobiles, generators, material equipment.
- **Investment Company (IC):** The main business of these companies is to deal in securities.
- **Loan Companies (LC)** The main business of such companies is to make loans and advances (not for assets but for other purposes such as working capital finance etc⋯
- **Infrastructure Finance Company (IFC):** The company, which has its net assets, at least Rs. 300 Crore and 75% of Total Infrastructure Loan Facility, IFC, if it has an A rating or above and has CRAR 15%.

1.3 COMPANY PROFILE

PIRAMAL CAPITAL AND HOUSING FINANCE LIMITED:

Piramal Capital and Housing finance Limited (PCHFL) are fully owned by Piramal Enterprises Limited (Piramal Group Leading Company), registered as a Housing Finance Company with the National Housing Bank (NHB) and dealing with various financial services.

Piramal capital and housing finance go within NBFC. Managing a cash corporate corporation account is an administrative body that allows the administration contracts to disclose the rescue cash transaction, but does not include the importance of keeping it in a legitimate strategy.

PCHFL continues the path of innovation in the product and process, in our forecast, in the hospitality field, and to increase the effect of the rent lease. The Corporate Finance Board, on the other hand, has grown to 118% of its health, most of which are high debt and project financing, thus improving the overall risk of credit risk. In addition, we create the basis for greater lending through lending to emerging corporations. Finally, our reductions in retail financing offer a relatively short period of time, using the strength of our wholesale credit and differentiated service relationship.

PCHFL provides both wholesale and retail finance opportunities in all areas. In the real estate cadastre, the form provides housing finance and other financial solutions throughout the entire capital budget, beginning with early-stage private equity, structured debt, secured debt, construction finance, and landline lease payments.

Piramal capital and housing finance provide both wholesale and retail financing in real estate and non-real estate sectors. The real estate platform can provide a financing solution through a full equity allocation, starting from early-stage equity, built-in debt, secured debt, construction finance, and Flexi rental rents. In addition to real estate, wholesale business also includes a separate vertical, called a corporate finance group, which aims to provide a wide range of companies, such as infrastructure, renewable energy, roads, industrial and automated components. Total funds under this business are $ 5 billion.

- Company Name : **PIRAMAL CAPITAL AND HOUSING FINANCE LIMITED**
- Founder : AJAY PIRAMAL (Chairman)
- Founded : 20TH September 2017
- Head Quarters : Mumbai
- Area Served : India
- Type of Company : Public Limited Company
- Industry : Financial Services
- Key People : Swathi Piramal, Nandhini Piramal, Anand Piramal
- No of Employees : 6,843
- Website : www.piramal.com

1.4. PROMOTERS

Brickex, which empanelled by the distributor base agents, later helped as an effective wave of origin. As part of a unique integrated financing platform, which distributes both real estate and corporate finance in a number of industries and across the entire capital, Brickex has become a preferred partner for developers, distributors and investors. It was reinforced by a unique platform offering a clear understanding of the market, the relationships with investing investors, and consistently returning to investors who have faith.\

1.5. VISION, MISSION

- **VISION: "** To be the most preferred financial Service partner for all stake holders by embodying the value, knowledge, action, care and impact".

- **MISSION:** " Our ambition is to offer the full spectrum of financial service across retail and wholesale verticals".

1.6. PRODUCT AND SERVICES

CORPORATE FINANCE:

1. Real Estate Financing: Real estate financing is the main function of Piramal Capital and Housing Financing (PCHF) and is part of the Group's financial portfolio since the beginning of the financial services platform. PCHFL is able to finance the capital budget from early-stage capital to debt repayment, construction financing, lease payment, property loan, as well as large flats sale. PCHF has started a vertical housing finance, thus creating a one-stop platform that provides full financial solutions to real estate companies.

2. Emerging Corporate Lending: Mortgage Corporate Lending (ECL) is vertical, financing emerging and mid-term market sectors on a sectoral-agrarian basis. It is targeted transactions that cover INR 10 to 100 crores in various industries, as well as from various automotive dealers, auto support, manufacturing, pharmaceuticals, electronic surveillance and IT services. Barrowers uses a range of competitive rates, with each individual pay schedule and security that is usually not included in traditional wholesale credit channels.

3. Corporate Finance: This is an agrarian credit instrument in the area of Capital and Piramal Housing Financing (PCHF), which provides retail solutions for non-real estate business in areas other than infrastructure, renewable energy, energy, telecommunications, entertainment, industry and automotive components. The Corporate Finance Group has a dedicated team that combines experience and skills in identifying investment opportunities to provide a host of financing solutions for companies in different fields.

The corporate finance group offers a wide range of products are as below:

- Structured Financing: It is designed for corporate level debt that should be used as partial capital injection in branches, especially in the infrastructure sector.

- Senior Lending: It is designed for powerful companies that require a flexible repayment plan with a turning point in their industry.
- Project Financing: It is envisaged to provide flexible capital for companies with high growth potential for 2-3 years. This type of financing provides support for an extension that will allow users to evaluate capital at higher prices.
- Loan against shares: It is envisaged to provide funding for a group that promotes certain liquid stock.

INDIVIDUAL FINANCE

Retail Housing Loan: Retail housing loans mean secured finance for construction or acquisition of buildings designed for individuals, groups of people, including cooperative societies.

PCHFL provides financial assistance to meet the needs of low-income households and lightweight customers, with PCHFL helping customers build or buy their dream.

PCHFL announced its new credit product Advantage. This new product is specially designed for parents who can pay higher EMI in their initial year when their income is higher. In subsequent years, when the overall household income is reduced, the customer may benefit from the lowest EMI payment as revised in line with family income.

Table showing Product of PCHFL for Home loans

Product Type	**Purpose**	**Loan Amount**	**Additional Conditions, if any**
Ready Property Purchase	Purchase of ready property either from builder or under resale	Min ₹ 20 Lacks	-
Under construction Property purchase	Purchase of under construction property Approved under APF	Min ₹ 20 Lacks	-
Loan for home improvement/ Renovation/ Extension	Home improvement/ Renovation/extension on pre-owned property	Min ₹ 20 Lacks	**a. Approved plan and construction estimate from the architect must be provided.** **b. Construction must be completed with-in 18 months of first disbursement**
Refinance for property purchase	Refinance of amount paid for ready property, Direct purchase or resale	Min ₹ 20 Lacks	**a. Amount to be refinanced should have been paid in last 6 months and proof supporting the same has to be submitted**

- **Loan against Property:** Loan against property is a kind of finance to the customer by the way of mortgage of existing property to the financial institution for barrowing a loan for some other purpose .

  PCHFL give a loan against both residential and as well as on the commercial property. The PCFHL can offer up to 75% of the current market value of the property as loan against property. Interest rates starting from 10% per annum.

- **Self Construction Finance:** Construction Loan is a short term loan used to finance homes or other real estate projects. Builder or areceive long-term funding. Since they are considered quite risky, construction loans usually have higher interest rates than traditional mortgage loans. PCHFL finances the construction of independent homes, luxury homes, houses and other structures. PCHFL provides funding up to 90% property (including land parcel). This is subject to your regulatory rules and payment options.

- **Affordable Housing**: Affordable housing refers to housing units that are affordable by that part of the society, whose income is below the average family income.

RATE OF INTREST

Table 2.1: Table showing the rate of interest PCHFL on their Products.

LOAN TYPE	RATE OF INTEREST (%)
1.Retail Housing Loan	8.7 % Per annum
2.Loan against Property	10% Per annum
3.Self Construction Finance	8.7 % Per annum
4.Affordable Housing	-
5.Real Estate financing	-
6.Corporate Financing	-

1.7. AREA OF OPERATIONS:

Within a year of its Launch, Piramal Capital and Housing Finance Limited (PCHFL) have expanded from single branch to 2 branches in Mumbai, 3 in Delhi, Bangalore, Pune, Nashik and Ahmadabad.

In the nearest term, Piramal plan to expand their branch network to Chennai, Hyderabad, Jaipur, Nagpur, Surat, Vadodara, Navi-Mumbai and Indore.

Piramal aim to open morethan 20 branches by 2020. Piramal has disbursed over INR 2400 crores of housing loans over this period which validates the aspirations and the unique competitive advantage of a housing finance company working alongside on existing wholesale lending business.

1.8. INFRASTRUCTURE FACILITY

- Piramal capital and housing finance is maintaining standards and new quality technology.
- PCHFL have good infrastructure with all the basic facilities.
- PCHFL adopted centralized and automated processing technology to customer friendly procedures.

1.9. COMPITITORS OF PIRAMAL CAPITAL AND HOUSING FINANCE LIMITED

COMPITITORS OF PCHFL:

1. HDFC (Housing Development Finance Corporation)
2. ICICI (Industrial credit and Investment Corporation of India)
3. PNB (Punjab National Bank)
4. AXIS

1. **HDFC (Housing Development Finance Corporation)**

   Company Type : Public Limited Company
   Industry : Banking and Financial Services
   Head Quarters : Mumbai
   Key people : Aditya Puri
   Products : Consumer and Corporate banking, Finance and Insurance.
   No of Employees : 94,907

2. **ICICI (Industrial credit and Investment Corporation of India)**

   Company Type : Public Limited Company
   Industry : Banking and Financial Services
   Head Quarters : Mumbai (Founded in 1994)
   Area of Service : Worldwide
   Key people : Girish Chandra Chathurvedi
   Product : Retail and Corporation banking Investment banking.
   Mortgage Loan.
   No of Employees : 81,548

3. **PNB (PUNJAB NATIONAL BANK)**

   Company Type : Public Limited Company
   Industry : Banking and Financial Services
   Head Quarters : New Delhi
   Key people : Sunil Mehta (MD & CEO)
   No of Employees : 70,801
   Product : Retail and Corporation banking Investment banking.

4. **AXIS**

Company Type : Public Limited Company

Industry Type : Banking and Financial Services

Head Quarters : Mumbai (Founded in 1993)

Area of Service : Worldwide

Key People : Sanjeev Mishra

No of Employees : 59,600

1.10. SWOT ANALYSIS

STRENGTH

- Strong parentage of Piramal Enterprises Limited.
- Strong and Experienced management team.
- Effective and strong channel of promotion.
- Good relationship with Customers.
- The customized service to its customers.
- Improved technology and analytics to drive towards a quicker turnaround time in both underwriting and disbursement.

WEAKNESS

- Sectoral and customer concentration and relatively unseasoned portfolio.
- The rate of interest is High.
- The company does not act as bank order to increase portfolio.
- The company is very strict compared to others it follow rules and regulation with the company's norms.

OPPERTUNITIES

- Piramal capital and housing finance have the good assets quality over the NBFC's.
- PCHFL have better and faster processing service which provide faster loan service to customer.
- Accepting the lower CIBIL score and balance risk by charging high rate of interest.
- The requirement of paper work is Less.

THREATS

- Modernization in government banks gives competition to NBFC's and private banks.
- Investment of foreign banks in Indian market.
- Low rate of interest and low rate of fee charged by the banks.
- Changes in the regulation and company norms due to recession.
- NBFC's and new bank are increasing in India.

1.11. FUTURE GROWTH PROSPECTS

- PCHFL is to be on the created one of India's largest financial services businesses.
- PCHFL is planning to adopt customized and built to suit technology platform that spans the entire whole finance business to avoid data duplication and reduce paper work.
- PCHFL's aim is to offer financial services for both retail and wholesale sector.
- The company is planning to expand its business across the India.
- PCHFL is trying to provide customized loan facilities to its Customer.

1.12. FINANCIAL STATEMENT

PARTICULARS	2014	2015	2016
Capital and Liabilities			
Share capital	350179012	431659372	509943272
Reserves and surplus	631696731	714423015	809718606
P& L account	103496563	110928872	132688678
Deposits	7360992441	9759647834	11442734762
Interest payable on Deposits	52574318	63939024	64593818
Suspense account	5817016	1939810	23373582
Other liabilities	265498272	336828381	424257857
Branch accounts	3108042967	4278450722	4912163460
Total	11878297320	15697817030	18319474035
Assets			
Furniture	13204353	28759609	34367406
Vehicle expense	504255	2366495	1720844
Computer Expense	968165	6749867	4924878
Building Expense	19954906	19743031	30750954
Generator Cost	836094	654342	741439
Branch accounts	3107457983	4278554135	4895743860
Cash in Hand	35856397	56001034	46078963
Cash at Bank	209859934	265383552	352792966
Investment	2998493046	3829712243	4192502243
Loans and Advances	5265017038	6925527605	8427611387
Other assets	226145149	284365117	332239095
Total	11878297320	15697817030	18319474035

PARTICULARS	2017	2018
Capital and Liabilities		
Share capital	586528122	696007507
Reserves and surplus	979067911	1115013545
P& L account	156503697	164259217
Deposits	12801616010	15213770258
Interest payable on Deposits	61414809	33014392
Suspense account	14673386	6808804
Other liabilities	501070758	583562050
Branch accounts	4960852327	6507742607
Total	20061727020	24320178380
Assets		
Furniture	34933911	33048994
Vehicle expense	1075193	501581
Computer Expense	3830477	3817532
Building Expense	30549541	62385993
Generator Cost	800237	689235
Branch accounts	4961400323	6505861020
Cash in Hand	48859938	77414864
Cash at Bank	517478249	566182668
Investment	4971704743	6482294597
Loans and Advances	8955698152	9962014392
Other assets	535396256	625967504
Total	20061727020	24320178380

CHAPTER – 2

THEORITICAL BACKGROUND OF THE STUDY

2.1. INTRODUCTION TO CREDIT RISK MANAGEMENT

Credit helps the individuals to meet their expectations at a specific purpose if time and cost of that need can be paid further. Credit risk for non-default debt that may result from gossip which does not require payment. Credit risk refers to the likelihood of a loss associated with a penis that does not fulfil any kind of debt. Economic advancement and globalization have led to the importance of risk management.

Risk management is not a process, it is the main component of banking activity.

Each bank and financial institution should create a risk-adjusted effective return on equity methodology and receive credit risk management systems.

Usually, the main risk for the financial institution has come from crediting. As a financial institution entered new markets and sold new products, the other risk would have market risks to begin the management's attention. In recent years, financial institutions have developed tools and some methodologies for market risk management.

Credit risk management in financial institutions was one of the most important issues - credit risk concerns that share good customers with bad clients. For this reason, leading financial institutions use advanced quantitative models and tools to predict predictive events and make decisions on effective lending decisions. Today, with the help of computers and technology, such decisions are made quickly, accurately and without human judgments. Meanwhile, banks should not only share their equity in order to make more investment. With recent failures in the financial sector, it becomes increasingly evident that banks and other financial institutions should invest more in their financial risk models and internal rating systems.

Meaning of Credit:

The word credit comes from the Latin word CREDO. Payment before receiving goods or customer services based on the belief that payment will be made in the future. It is a trust between buyer and seller.

Forms of Credit:

1. Cash credit: Cash is a credit facility to withdraw money from current bank accounts without limiting the credit balance, but restrictions imposed by the borrower.

2. Long term loan: Long-term loans are loans that are paid for one year or more, usually on a monthly basis.

3. Purchase bills: From the sales document vendor, the buyer has been asked what the payment is for.

4. Bank guarantee: A bank guarantee means a loan institution that provides the debtor's obligations.

Meaning of Risk:

An Aptitude or loss of threat or any adverse event caused by external or internal factors those results in certain losses, such as financial loss

Types of Risk are:

1) Market Risk: The risk of losing market position from the variation in the market estimation exchanging portfolio because of market development.

2) Credit Risk: The risk arises from the barrower when failed to repay the required repayments.

3) Operational Risk: Operational risk is the prospect of loss, which depends on fraud, failed procedures, or employee mistakes.

4) Liquidity Risk: The risk that a company or a bank cannot meet a short-term financial requirement. This usually happens because it is unpredictable that the exchange of securities without cash is not going to result in capital loss or income.

Advantages and Disadvantages of Credit Risk Management:

The advantages of Credit risk management include:

• Credit risk management allows forecasting and forecasting, as well as measuring the potential risk factor in each transaction.

• Banks can benefit from some credit models that can serve as a valuable tool that can be used to determine the level of credit risk measurement.

• Always have better methods and strategies for transferring loans, prices and hedging options.

The disadvantages of Credit risk management include:

- Deciding on how good a risk you are cannot be entirely scientific, so the bank must also use judgments.
- Cost and Control associated with operating a credit scoring system.
- With the existence of different models, it is hard to decide which to use, more often than not, companies will take a one model fits all approach to credit risk, which can result in wrong decisions.

Credit Risk:

The risk is arises through credit or amount of money lent by the seller with a mutual understanding between the buyer and the seller and result in the loss to the seller.

In other words, possibility of losses associated with decline in the credit quality of barrowers or counterparties.

Credit risk is a threat to theorists concerned with the fraud that does not give the parts. Such a case is known as the default risk.

Another risk of credit risk is the initial occurrence. Credit risk or default option involves the failure or desire of a customer or partner to perform tasks relating to freight forwarding, exchange, assistance, settlement, and other budget-sharing.

Credit risk is the debt risk arising out of the impossibility of a borrower or a partner to meet its obligations. The credit risk of a financial institution comes from its lending activities: unpaid loans and leases, trade accounts, derivative assets and completed loan commitments, which include credit commitments, credit cards and financial guarantees. It also has other activities such as receipts, interbank transactions, commercial financing, retail payments, and investments.

Managing Credit Risk:

It is important to formulate and apply credit policies and processes related to credit risk management. Credit risk management strategies, including credit policy development and risk monitoring, are the responsibility of the business unit and senior management and board of directors.

Financial institutions should define a credit limit for risk control in all credit-related activities. Production, geographical, product, consumer and country sectors should be defined using methods that are used to calculate the effects on those boundaries and are part of a credit policy. We also need to take into account the spread of spheres or regions, as the lack of company or industry can affect others as well. Largest financial institutions may take into account multiple limitations for each borrower or loan group by product, functional unit and borrower to manage the banking and commercial activities of borrowers or borrowers that create credit risks properly. While a trend has been that many financial institutions control common categories of those categories, many have not set the maximum limits for those restrictions.

Commercial Portfolio Credit Risk Management:

Commercial portfolio credit risks can be managed on the basis of the borrower's risk profile, the source of the repayment and the nature of the collateral, the current events and conditions. Commercial credit risk management should start with the assessment of the credit risk profile of the borrower or other party on the current trends in the industry, economy and macroeconomic markets based on the factual analysis of the borrower's financial condition. As part of the overall credit risk assessment, any risk exposed to a trade credit or transaction should be attributed to risk assessment and subject to approval based on the approval standards approved in the loan policy. Once the credit is established, the risk assessment should be adjusted on an ongoing basis to reflect changes in the financial position, cash flow or financial stability of the client, if necessary. Regular monitoring of the ability of a borrower or another person to fulfil its obligations allows making adjustments that affect the impact on the loan.

Risk assessment collections should be taken into account in measuring and assessing the concentrations in the portfolios. Risk assessment is also a factor in determining the level of economic capital and allowing credit losses.

In order to manage the relative risk within the trading portfolio, many financial institutions use the credit portfolio size and relative credit risk for the use of credit facilities and the use or distribution of securities and credit derivatives in branches or other financial institutions. These actions may play an important role in risk mitigation. for risk reduction or when it is determined that credit risk concentrations are undesirable.

Consumer Portfolio Credit Risk Management:

Credit risk management for a consumer loan should start with a preliminary signature and continue at the borrower's lending period. Consumers and other common credit risk assessment features. Statistical methods can be used to determine product prices, risk appetite, operating procedures and criteria for balancing risks and rewards. Statistical models can be obtained or developed using detailed information from external sources such as the historical experience of credit bureaus. These models should be periodically checked to ensure that they are statistically valid and reflect the performance of the institution's customer base, especially when used for credit evaluation. When used, these models will form the basis for an effective consumer credit risk management process and may be used for loan approval / easing decisions, collector management procedures, portfolio management decisions, remuneration for lease and lease, and economic capital for credit risk.

Accurate Calculations of Exposures:

Accurate estimates of border detection are important for credit risk management. Methodologies will vary according to the types of products. The book balance for credit products and current accounts is considered to be appropriate, and the corresponding aberrations are included as part of the enemy's default explanation in primary radiation and may result in loss of interest income. The current market value should be used for the issuer's bonds and stocks, as well as the cost of trading as a means for unsettled trading. Exchange rates and derivatives should be measured at market recovery costs plus additional value on the basis of nominal value to reflect future negative movements of the foreign currency exchange rate.

Concentrations of Credit Risk:

Portfolio credit risk should be assessed to ensure that the credit concentration does not result in a risk-level or regulatory violation. Regular credit risk review and concentration measures should be taken to limit boundary restrictions on products, industry, geography and customer relationships. Additional measurement categories may be appropriate for specialized branches, such as commercial real estate loans, geographical location, and type of property. When disclosures exceed the set limits, it is necessary to encourage the growth process, avoid possible conflicts and ensure that senior management is aware of all the deficiencies. Periodic revision of the defined limits is appropriate to ensure that the borders continue to retain strategic risk appetite, provide a mix of targeted assets and recognize potential effects.

Examination of Credit Risk Management:

Regular expertise applies a number of methods to assess the credit risk of a financial institution, including sampling of loans and review of the institution's credit management processes. The complexity of the products and operations of the financial institution and the overall risk management practices are taken into account. Design, implementation and regulation of credit risk management practices and practice will limit unexpected effects.

Types of Credit Risk are:

- Country Risk : The risk of loss emerging from a sovereign state solidifying remote money instalments or when it defaults on its commitments. This was the hazard is conspicuously connected with nation large scale monetary execution.
- Concentration Risk: This is the type of credit risk which is associated with exposure of any single group with the potential to produce large losses to threaten the core operations of a bank.

- Credit Default Risk: The risk of loss which arises from the debtor being unlikely to repay the amount in full or when the debtor is morethan 90 days past is the due date of credit payment.

Successful Credit Risk Management Challenges:

- **Inefficient data management:** It is impossible to enter the correct data when necessary, leading to problematic delays.
- **No group wide risk modelling framework:** Without it, banks can not create complex and meaningful risk factors and get a big risk of group risk.
- **Constant rework:** Analysts cannot change the model of the change model that results in duplication of efforts and negatively affects the bank's performance report.
- **Insufficient risk tools:** Without high risk, banks are unable to disclose portfolio concentrations or portfolios, often considered to be a sufficient risk management strategy.

Factors affecting Credit risk are:

Credit risk is depending upon both internal and external factors.

Internal factors are:

- Excessive depends on collateral without ascertaining its quality.
- Absence of technique of loan review.
- Lack of pricing procedure.
- Scarcity defined lending limits for loan officers.

External factors are:

- Policies of the company.
- Employee relationship.
- Expertise of Management.

Minimizing the Credit Risk:

- ❖ Risk based pricing: Risk-based price is a method used by lenders in mortgage and financial services. It is used to measure interest rate risk and other credit risk exposures.
- ❖ Credit derivatives: Credit derivatives is an instrument designed for separate and transfer the credit risk of a barrower to an entity other than the lender. The lender and the bond holder can safeguard their risk of credit by buying the derivatives.

- ❖ Diversification: The lender with less number of barrower facing the high degree of Credit risk is called a concentration risk. Borrowers can reduce the risks by diversifying the borrower who they are giving.

- ❖ Deposit Insurance: It is an measure taken by the government to fully or partially defend the Bank's depositors, if necessary, from the losses caused by insolvency of the bank's debts.
- ❖ Setting accurate credit limits.

- ❖ Covenants: Covenant is an type of an agreement related to a contractual condition on the barrower to the loan agreement.
- ❖ Diversification: Lenders to a small number of barrowers face a higher degree of unsystematic credit risk called concentration risk. Lenders reduce the risk by diversifying the barrower pool.
- ❖ Tightening: Lenders can reduce credit risk by reducing the amount of credit extended, either in total or to certain barrowers. For example a wholesaler sell its product to troubled retailer may attempt to lessen credit risk by reducing payments.

ELOBRATIVE INFORMATION ON TOPIC:

Credit Risk Management:

Credit risk management is the loss of the bank's capital and loss of losses during this period by understanding the practice of reducing losses. The process is a long-term challenge for the financial institution. The financial institution should manage credit risk throughout the entire portfolio and in individual loans or transactions. The success of banking organizations is important.

Credit risk management is a practice of mitigating losses, understanding bank correspondence and credit loss reserves anytime, a process that has long been a challenge for financial institutions.

The global financial crisis and the credit crisis that followed the management of credit risk in the regulatory focus. As a result, regulators began to seek more transparency. They wanted to know that the bank has customer knowledge and credit risk.

Many banks re-establish their approach to credit risk to meet stringent regulatory requirements and absorb maximum exposure to credit risk. However, banks, which consider it a strict compliance exercise, are short-term. Better credit risk management greatly enhances overall performance and provides competitive advantage.

Credit risk management process:

The credit risk management process is the method of building steps to isolate the lender from potential risk arising from credit.

Following process explain the steps that are taken before Lending:

1. Appraisal of Credit: Before lending to any customer the information related to the customer is need to be collected and that information should properly analyzed and checked. If the customer or the barrower unable to prove is not eligible to get credit then the loan or credit can be rejected at any time.

2. Sanctioning of Credit: A proper guidelines to be maintained in the sanctioning of credit. After the customer is prove with a required incomes the process will continue. Customer needs to follow the rules and regulations and guidelines related to that he is availing. Customer is to know about the terms and conditions of the bank and the loan type.

3. Collection of documentation related to Credit: The financial institution collects the information properties which are going to be involved in the loan or the securities against the loan is raised.

4. Administration of the Credit: Financial institution must guarantee that their credit portfolio is appropriately managed that is, advance understandings are properly arranged, reestablishment notification are sent deliberately and records identified with credit are frequently refreshed.

5. Disbursement: Loan amount can be sanctioned to the customer after the offer given by the financial institution is dully signed and authorised by the customer and its one copy is returned to the bank or financial institution.

6. Maintaining a credit portfolio: The credit created should be properly maintained in order to identify the loss making units in the portfolio. Such a loss making units needs to be properly administrated and measures to recover from such loss can identified.

7. Facing the problem related to the recovery of credits: In the time of credit lend to the barrower cannot be recovered, losses arises in such situation. Further necessary changes relating to the credit.

Elements of Credit Risk Management:

1. Building perfect credit risk environment:

Comes up with an environment which makes the process of maintaining the credit much smoother and effective. A periodical review of the credit related policy is made by the directors and necessary changes regarding is made.

2. Processing credit through an efficient credit granting process:

Before granting of the credit, the documents related to the customer and the collateral properties are collected and analyzed. Further by taking the advice of the legal advisor the extent of amount to be is decided.

3. Managing the credit administration, measurement Supervision and its monitoring: Proper administration and regular monitoring of the customer to understand and know of the use of amount lent to him. If any misuse of fund is identified then the customer can be held liable and the credit sanctioned gets cancelled.

4. Having a proper control towards the credit risk:

Minimize the risk involving in the credit is the main and foremost aim of the bank or financial institution. The periodical review has to be made and the result of such review needs to be communicated to the higher authorities for making corrective actions.

5. Identifying the role of Supervisors:

It is essential and also very important to have a system to identify, measures and monitor the credit risk and formulate a proper strategy and policy relating to granting of credit. Supervisors need to focus on the restricted banks exposure and prudential norms.

Introducing Effective Credit Policy:

1. Introduction of Credit standards:

Establishing the standards for lending the credits to the individuals based on their financial worthiness. Deciding upon the ability of such customer to repay the loan as agreed upon.

2. Defining the terms of the credit:

The decision in which each customer should offer a refund of the loan. It should be fixed by the client's credibility analysis.

3. Fixing of collection procedures for recovery of credit:

The costs required to cover customer loans must be the same. The higher the collection cost, the higher the amount that will be invested in receivables and vice versa.

Principles of Credit Risk Management:

• The Board of Directors of the Bank shall be responsible for periodic approval and review of the Credit Risk Strategy.

• Supervisory management should take responsibility for implementing a credit risk strategy.

• The bank must disclose and manage a loan for all banking services and services.

Credit risk management as per RBI:

- Measurement of risk through credit assessment.
- Risk assessment through loan loss assessment.
- Risk price.
- Risk control through effective loan control and portfolio management mechanism.

Forms of Credit Risk:

- Non-payment by the parties of obligations on Treasury Transactions.
- Adjustment of trade in case of necessity.
- Incompatibility between foreign currency exchange rates in terms of boundary obligations.

Measurement of Risk through Credit Rating:

• Measuring the risk by predicted forecasts, ie the amount of previous disasters that the bank will be absorbed by the aforementioned skyscraper and the wonderful misfortune.

• Risk Assessment through Sustained and Controlled Risk, Powerful Credit Review and Portfolio Management Mechanism.

2.2. LITRATURE REVIEW

1. Dhanjuman, **Ibrahim, Kola, Badiya Yusuf, Kumshe & Hauwa Modu (2016)** explain that credit risk management and customer satisfaction. It illustrates the optimistic relationship between credit risk management and customer satisfaction and does not encourage bank management to pay interest on other customer satisfaction factors other than receiving a loan. The bank should focus on its credit policy to make additional income.

2. Ahmed, Sufi Fizan, Malik & Qaisar Ali (2015) assess credit risk management and prevent the introduction of microfinance banks. The value of the test shows that there is a positive correlation between credit access and credit risk collection, but they are insignificant in complex fronts

3. Ijaz & Maha (2015) start that inspection in credit risk management has significantly moved from inference of credit risk to the evaluate of credit risk which is more critical process for the bank. There is consistent augmentation in the zone of interest rate risk. In any case, different parts of the region are not yet mindful of its fullest prospective.

4. Waemustafa, Waeibroheem & Sukri & Sriani (2015) set up that insecure sector financing dogmatic capital and contract are very considerable to credit risk. For conventional Banks, provisions made equipment causing of loan, debt of the bank to the total assets, size, earn management and liquidity are the main factor influence credit risk.

5. Hameeda Abu, Hussain, Al Ajmi & Jasim (2012). examine the administration of risk practice follow by the ordinary banks and initiate that the risk levels confront by banks are higher in case of conventional bank. Hence, all over the country, residual and agreement, functioning risks are seen to be higher if there must be an occasion to happen in conventional bank.

6. **Olaf Weber (2012)** analyzed the amalgamation of environmental risks into the credit management. The quantitative and qualitative analysis made propose that Canadian must manage environmental risk in credit management in order to evade the financial risk.

7. Ronald W Scholz & George Michalik (2010) found that association between companies environmental and financial performance exists. Bank pay sustainable notice to the role that criterion pertaining to environmental course and sustainability play a vital role in the progression of credit risk management. It shows that sustainability criterion can be used to envisage the debtors financial performance and improve the predictive legitimacy in the process of credit rating.

8. Dr. Yogieta S. Mehra (2010) analyzed the impact of banks' size and ownership rights on the operational risk management practices used in banks through the questionnaire survey. The study aims to explore the range of Indian banks' practices in risk management that are needed to reach the Indian Bank Cross-Border (AMA) cross-cutting approach and to conduct a comparative analysis with banks. AMA Complaints all over the world.

9. Bodla B S Varma & Richa (2009) analyse that for the credit risk management , a huge part of the bank are exposed playing out a few performance similar to studying about industry occasional credit calls, intermittent plant visits, creating MIS, credit scoring what's more yearly audit of records. In case the bank in India are refuse the exploitation of subsidiaries items as risk supporting device.

10. Evan Gatev, Tilschuermann & Philip E Strahan (2007) the liquidity risk that the banks are face which is recognized to transactions deposits and their prospective to spark runs. In its place of the transaction deposits help the bank to hedge liquidity risk from loans that are not used.

11. Jose M Pastor & Lorenzo Serrano (2006) the efficiency and credit risk of the every banks in the euro area using one stage parametric method which allocate one identity whether the activities towards the risk of the bank was more careful during the period of investigation. The result indicate that the modification for risk is very important in case of profit efficiency but not in case of cost efficiency.

12. Hasanbanu, S and Jeya Shree (2006) studying factors that affect public and private sector borrowers. They have come to the conclusion that in India there is a vital area for housing promotion and banks can play a vital role by promoting the construction of the village by introducing more dynamic schemes.

13. Alfred Lehar (2005) set up a new method to compute and supervise the risk in the banking system which can help the commercial banks. Standard tools and rules are required by the bank to handle their internal risk which are functional at the level of banking system to measure the risk of controller portfolio.

14. A Sinan Cebenoyan & Philip E Strahan (2004) examined that how dynamic supervision of credit risk expose through the advance deals advertise which manipulate capital structure, loaning, benefits and risk. Banks that rebalance their advance deals advance portfolio exposure by both purchasing and offering credits, banks that exploitation the advances in the bank, It recommends that the banks that enhance their capacity to oversee acknowledge risk may work for more prominent use and may loan more cash to unsafe barrowers.

15. Julpa Jagtaini, George Kaufman (2002) analyzed regardless of whether the government wellbeing is seen by market as it is stretched out past. Stores to other bank deposits and even in the deposits of bank holding organizations securities are evaluated by the auxiliary market in connection shockingly chance for less promoted backers recommending that propositions obliging banks to issue obligations may enhance advertise and valuable in regulatory discipline.

16. Koshy George (2000) Together with paying salaries in Kerala, she conducted a study and reviewed the percentage of home construction and home investment. It also examines a socioeconomic accident due to the leakage of workers from other countries and the flow of funds from other countries in the form of building materials imported from other countries.

17. Aron Chaze (2000) The HDFC article in the Financial Express article indicates that HDFC has grown business volumes, but the stock market inspires little. In his opinion, the impact of the low credit interest rate is absorbed and the spread of interests has begun to improve.

18. Sensarma R & Jayadev M (1998) analyzed the credit risk management work over the part 20 years. It taken into consideration the credit risk measurement of individual loan and portfolio loan. It also focused on the new approach around the mortality risk to measure the return on loans and bonds. It analyzed the risk return structures of portfolio of credit risk exposed debt instruments.

19. Kenneth A Froot & Jeremy C Stein (1998) capital distribution and determination of the capital structure of financial institutions. It came with peculiarities, as the banks with the highest value have a good concern about risk management, and not all the risks facing the bank can be protected in the capital market. This has shown how banking risk management is an important factor in the risks that are not easily covered by the capital market.

20. Lazarus Angbazo (1997) by tentative the risks that are most risky and the banks will have a higher impact on the interest rate risk, they will get the interest rate on the loan and deposit to reach higher interest rates. The commercial bank reflects the default risk and interest rate. The expected net cash flows only affect the default risk and not the interest rate. Prepayments are reliable on their short-term assets and instruments of hedging and unpaid balances. Regional managers of the Accounting Agency are dedicated only to the risk of credit risk and not the default option.

CHAPTER – 3

3.1. STATEMENT OF THE PROBLEM

The Bank's profit is entirely dependent on loans and forecasts that lead to economic and industrial growth. When the bailiff does not pay the amount he holds, the credit risk for the bank increases. For many banks, loans and advances are the main source of credit risk through banking operations. The Bank gradually collides with various budgetary instruments with credit risk, except for advances, intermediary financing, exchange stages, exchanges, securities, stocks, options, and debt consolidation, and secures and solves transactions.

3.2. NEED FOR THE STUDY

According to the study conducted by Piramal Capital and Housing Finance Limited, it helps to understand the risk of lending by a banker or a financial institution to ensure that loan loans are not used as a default and take the necessary measures to reduce the risk of lending by a bank or financial institution purpose: The bank or financial institution should analyze various aspects at the time of loan disbursement and profitability allocation.

3.3. OBJECTIVES OF THE STUDY

- ✓ To study various types Loans and Advances available in Piramal capital and Housing finance.
- ✓ To study the trends in lending money by PCHFL.
- ✓ To evaluate the role of PCHFL in financing for barrower in Bangalore.

3.4. SCOPE OF THE STUDY:

The study provides a credit grants for both residential and non-residential customers, as well as for recognizing the client's investment process for investment purposes, not in savings, but in terms of home-based loans.

The test shows the organization's monetary information. The study involves the laws and regulations of the company and the study shows the different products and services and their respective interest.

3.5. RESEARCH METHADOLOGY:

It is a structure that manages and conducts research. It provides information collection and thorough discussion. Helps to solve the problem and include new information.

With the help of the annual report provided by the company analytical research is done in this study.

The design used analytical research design as the study and the findings were based on the analysis of secondary data collected by analysis methods at the end of weight.

3.5.2. Sources of data collection:

The information gathering i.e., the idea for the project has been gathered remembering the targets of the projects and based on the needs, important has been found.

Secondary Data

This is reviewing of relevant information, which is already collected and making inferences based on information collected.

Source used to collect the data regarding the study are as follows:

- Historical records of Customer.
- Financial statement of Company.
- Income statement of the Company.

3.6. LIMITATIONS OF THE STUDY

- This study is limited to Bangalore branch of PCHFL
- The study involves the financial information only based on the 5 years of company financial statement.
- The study does not contrast the development of the company with other NBFCs and Banks. The study based on the in order provided by the Company.

CHAPTER SCEHME

- CHAPTER 1 - It explains about introduction of the study, Industry profile, Company profile, Vision, Mission and Quality policy, SWOT analysis, Future growth prospects etc…
- CHAPTER 2 -It deals theoretical background of the study and Literature review of study.
- CHAPTER 3 – It explain about statement of problem, Need for the Study, Scope of the study and Research methodology.
- CHAPTER 4 – It includes data analysis and interpretation of the study.
- CHAPTER 5 – The details about Findings, Suggestion and Conclusion.

CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

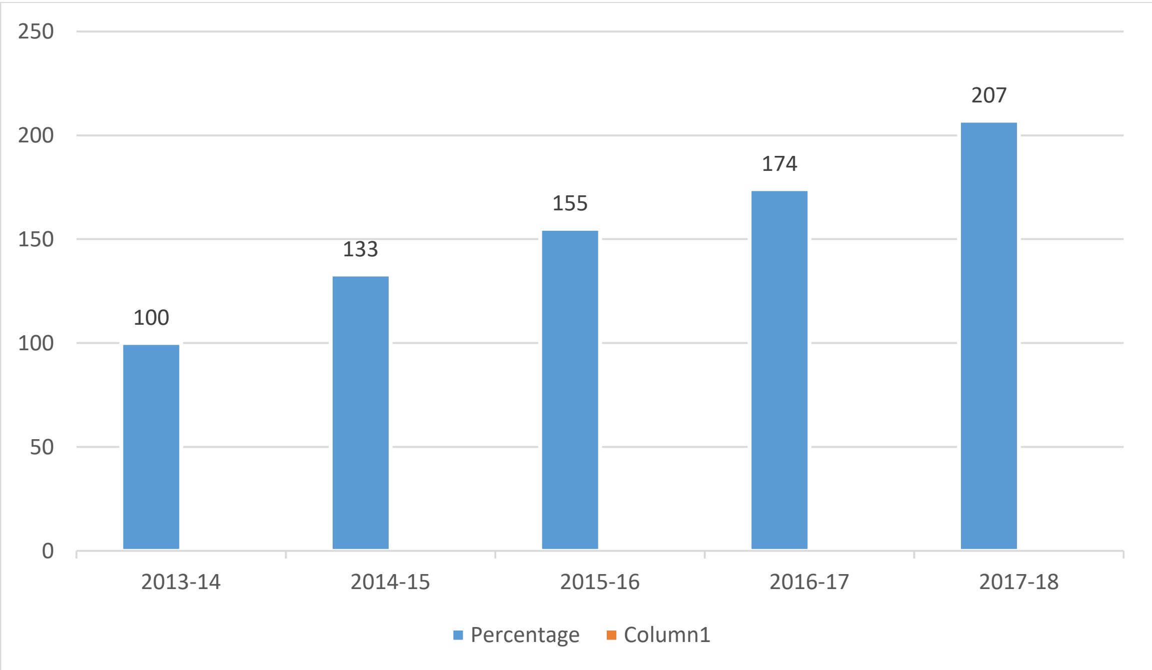
Total Deposits of PCHFL

Table 4.1. Table showing the total deposits of PCHFL

years	Deposits	Percentage
2013-14	73609	100
2014-15	97596	133
2015-16	114427	155
2016-17	128016	174
2017-18	1521138	207

Source: Extracted from the Annual report of PCHFL

4.1 Graph showing the total deposits of PCHFL



Source: Table 4.1

Interpretation: The deposits if the PCHFL increased notably from 2014-18 can be analyzed from the above graph. For calculating the ratios of the deposits 2014 taken has a base year. In 2014 the deposit of the PCHFL is 73,609 which is increased to 1521138. This increased ratio describes the trust of the customer towards the company.

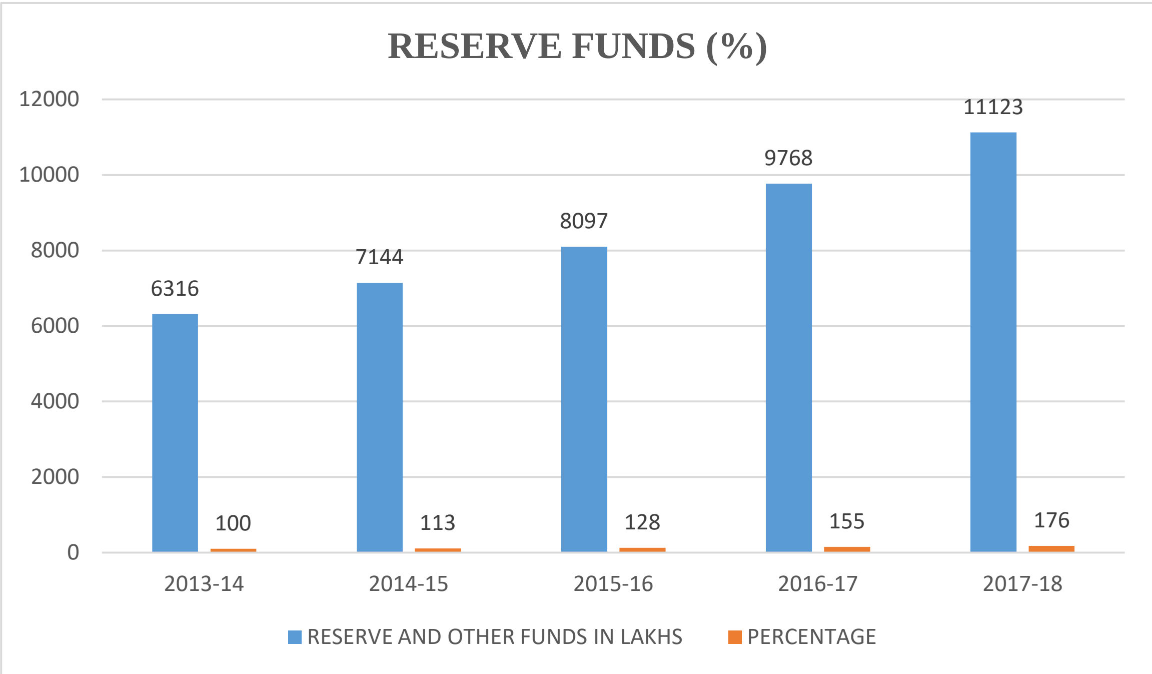
Investment position of PCHFL

4.2. Table showing investment position of PCFHL

YEAR	RESERVE AND OTHER FUNDS IN LAKHS	PERCENTAGE
2013-14	6316	100
2014-15	7144	113
2015-16	8097	128
2016-17	9768	155
2017-18	11123	176

Source: Extracted from Annual report of PCHFL

4.3 Graph showing investment position of PCFHL



Source: Table 4.2

Interpretation: From the above graph it is cleared that reserves and other funds invested by the PCHFL increased 2014-18. In this analysis 2014 taken has base year and further calculation is done. The percentage in 2014 is 100% and 113%,128%,155% and 176% in 2015,2016,2017 and 2018 respectively.

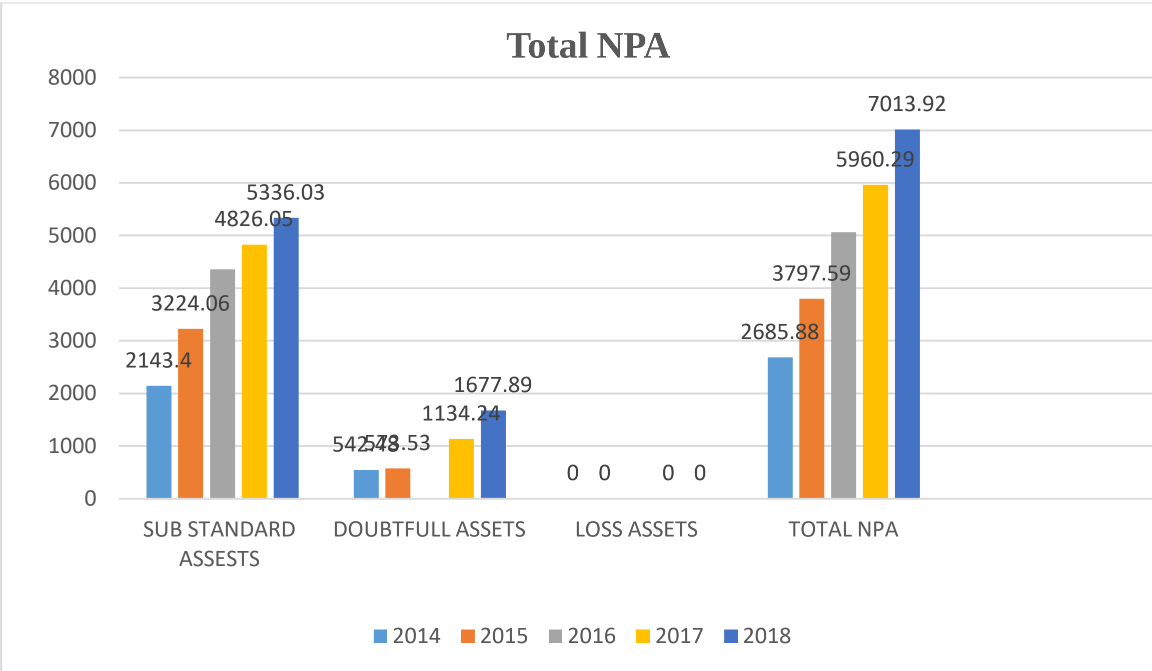
Total NPA of PCHFL

4.3. Table showing the total NPA 2014-2018

Particulars	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018
SUB STANDARD ASSESTS	2143.40	3224.06	4358.57	4826.05	5336.03
DOUBTFULL ASSETS	542.48	573.53	7.7.38	1134.24	1677.89
LOSS ASSETS	0	0	0	0	0
TOTAL NPA	2685.88	3797.59	5065.95	5960.29	7013.92

Source: Extracted from Annual report of PCHFL

4.3. Graph showing the total NPA 2014-2018



Source: Table 4.3

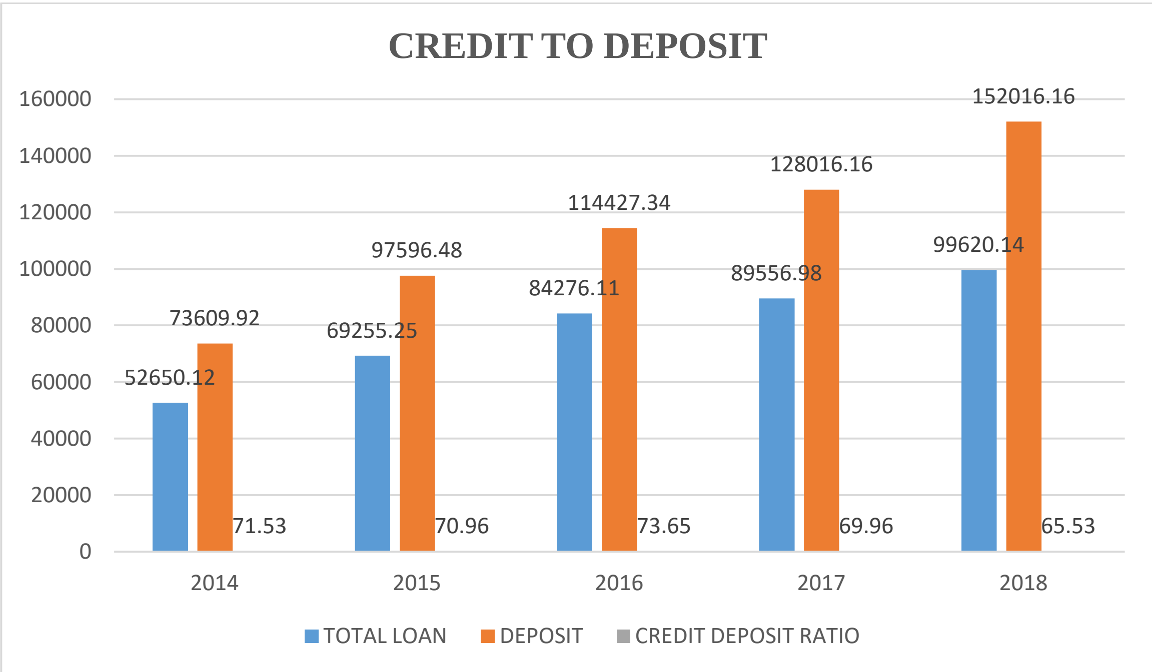
Interpretation: The above graph shows the total NPA ratio of PCHFL, the sub-standard asset ratio is more compare to the doubtful asset. There is no loss assets which describe the company is not incurring any kind of losses due to lending money to the barrower in the form of loan.

CREDIT TO DEPOSIT RATIO

4.4. Table showing the credit to deposit ratio of the PCFHL

YEAR	TOTAL LOAN	DEPOSIT	CREDIT DEPOSIT RATIO
2014	52650.12	73609.92	71.53
2015	69255.25	97596.48	70.96
2016	84276.11	114427.34	73.65
2017	89556.98	128016.16	69.96
2018	99620.14	152016.16	65.53

4.4. Graph showing the credit to deposit ratio of the PCFHL



Source: Table 4.4

Interpretation: The above graph represents that in the base year credit deposit ratio is 71.53 which decreased to 70.96 in 2015 and in 2016 it increased to 73.65 in 2017 decreased to 69.96 and 65.53 in 2018.

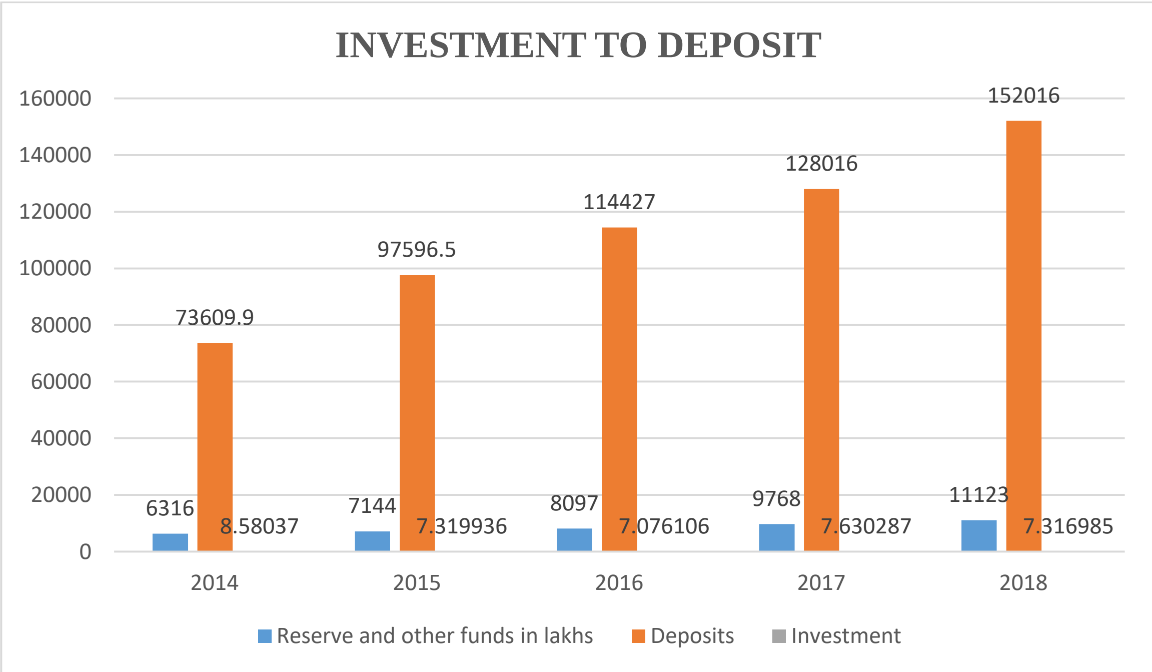
Investment to Deposit Ratio of PCHFL

4.5. Table showing the investment to deposits ratio of the PCFHL

Year	Reserve and other funds in Lakhs	Deposits	Investment
2014	6316	73609.9	8.58037
2015	7144	97596.5	7.319936
2016	8097	114427	7.076106
2017	9768	128016	7.630287
2018	11123	152016	7.316985

Source: Extracted from Annual report of PCHFL

4.5. Graph showing the investment to deposits ratio of the PCFHL



Source: Table 4.5

Interpretation: The above graph describes the investment made by the Piramal capital and Housing finance. Investment to deposit ratio was higher than the base year compared to the rest of the year. From 2014 this ratio was higher and then it decreased 2015 and 2016 and increased in 2017 and it decreased in the year 2018.

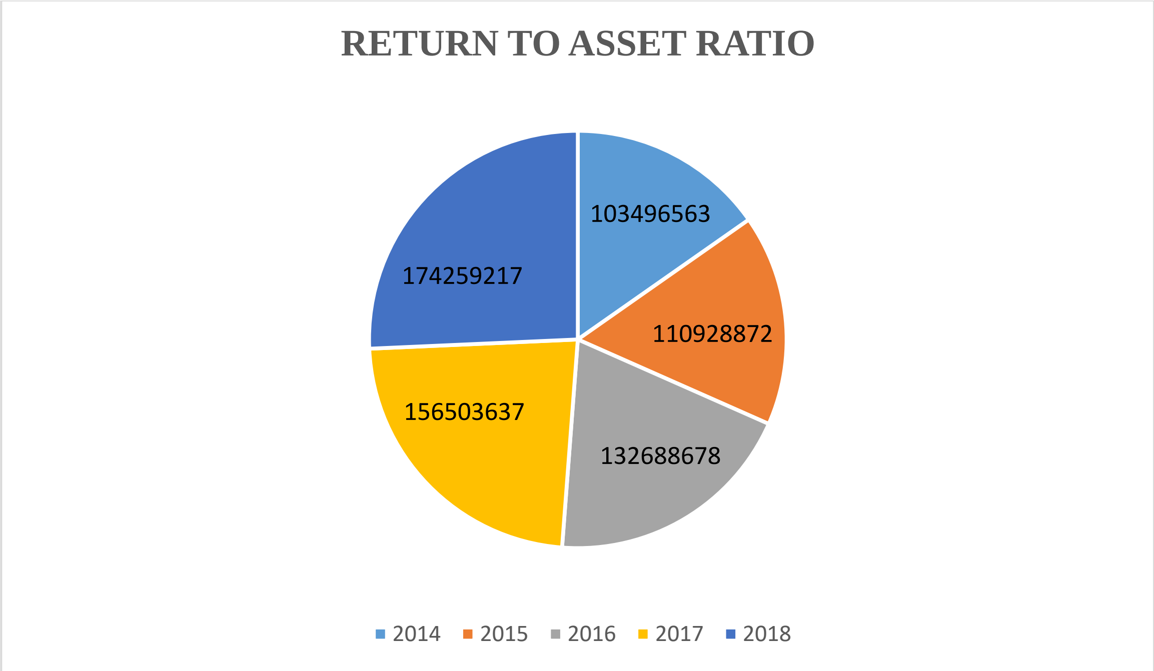
Return on Asset Ratio of PCHFL

4.6. Table showing the return on the asset ratio of the PCFHL

YEAR	RETURN	TOTAL ASSETS	RETURN TO TOTAL ASSETS
2014	103496563	11878297320	0.87308069
2015	110928872	15697817030	0.70665158
2016	132688678	18319474035	0.724303972
2017	156503637	20061727020	0.780110789
2018	174259217	17814317361	0.922062932

Source: Extracted from the Annual report of PCHFL

4.6. Graph showing the Credit to Deposit Ratio of the PCHFL



Source: Table 4.6Interpretation: The Return to assets of the PCHFL can describe by seeing the above graph. It can be understand that the return on asset in the year 2018 is high compared to the rest of the years.

Gross advance Ratio of PCHFL

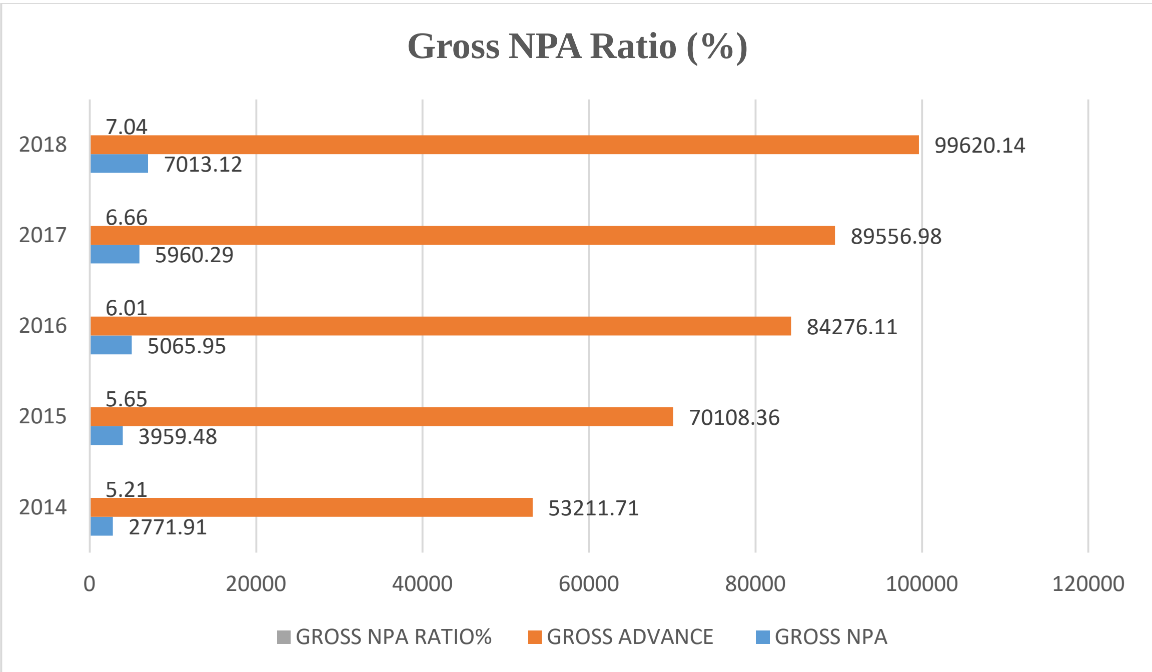
4.7. Table showing Gross NPA to gross advance ratio

Gross NPA to Gross advance ratio = GROSS NPA /NET NPA

Particular	GROSS NPA	GROSS ADVANCE	GROSS NPA RATIO%
2014	2771.91	53211.71	5.21
2015	3959.48	70108.36	5.65
2016	5065.95	84276.11	6.01
2017	5960.29	89556.98	6.66
2018	7013.12	99620.14	7.04

Source: Extracted from Annual report of PCHFL

4.7. Graph showing gross NPA to gross advance ratio



Interpretation: The gross NPA against Gross loans lent by the company to its customer shown in the above graph. It reveals that the amount to which the loan lent by the bank stands as NPA.

The NPA against gross loan increasing regularly which not a good sign for the company. The company can focus on its credit policies on order to reduce the amount of loans turning into NPA.

Net NPA Ratio

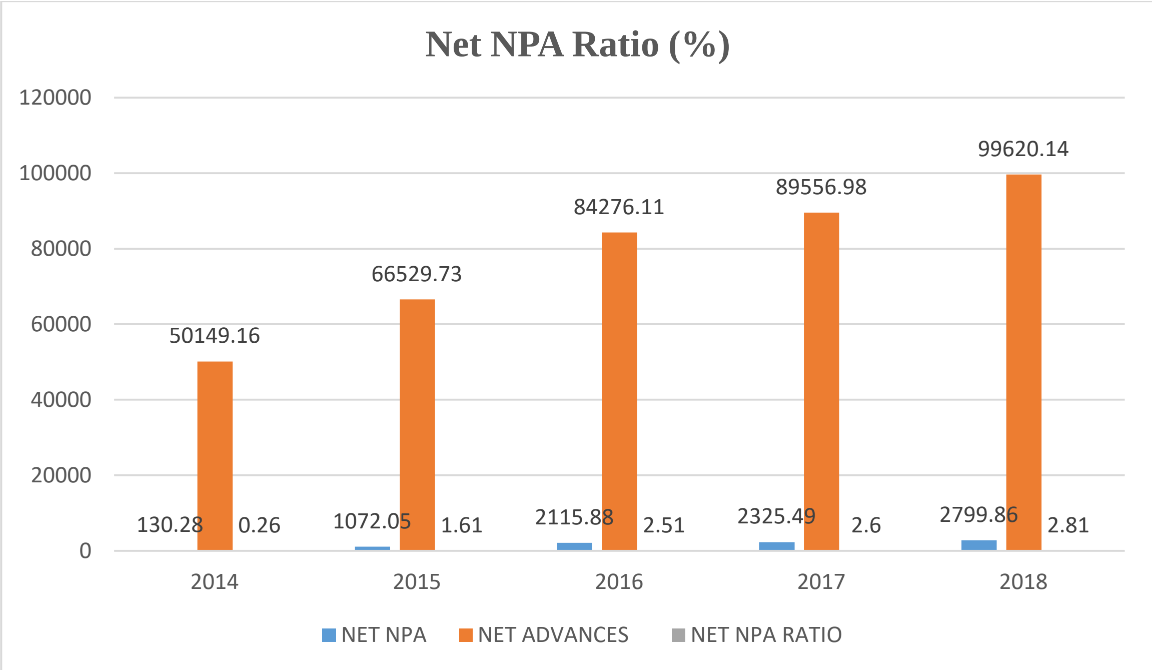
4.8. Table showing the net NPA against total advances

Net non-performing assets ratio = NET NOA/TOTAL LOAN

YEAR	NET NPA	NET ADVANCES	NET NPA RATIO
2014	130.28	50149.16	0.26
2015	1072.05	66529.73	1.61
2016	2115.88	84276.11	2.51
2017	2325.49	89556.98	2.60
2018	2799.86	99620.14	2.81

Source: Extracted from Annual report of PCHFL

4.8. Chart showing the net NPA against total advances



Source: Table 4.8

Interpretation: The above graph shows the increase in Net NPA of PCHFL from the year 2014-2018. It was 0.26% in 2014 increased to 1.61% in 2015 and 2.51%,2.6% and 2.81% in 2016,2017 and 2018 respectively.

Sub-standard Asset Ratio

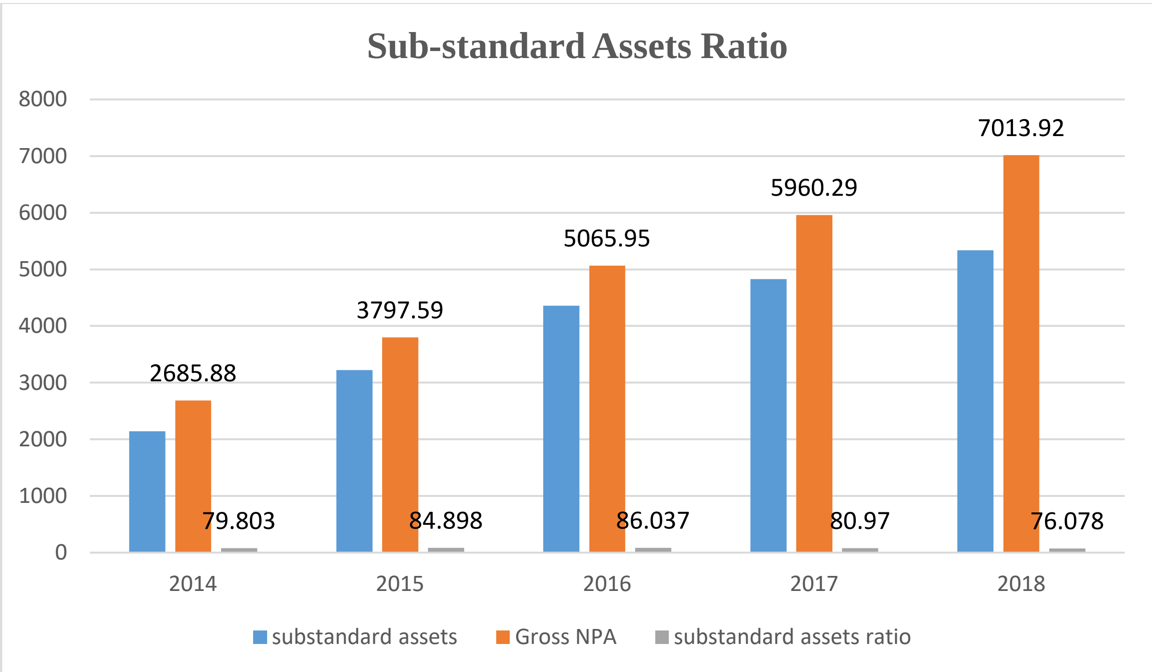
4.9. Table showing the substandard asset ratio

Substandard asset ratio = Total substandard assets / Gross NPA*100

YEAR	substandard assets	Gross NPA	substandard assets ratio
2014	2143.4	2685.88	79.803
2015	3224.06	3797.59	84.898
2016	4358.57	5065.95	86.037
2017	4826.05	5960.29	80.970
2018	5336.03	7013.92	76.078

Source: Extracted from Annual report of PCHFL

4.9. Graph showing the substandard asset ratio



Source: Table 4.9

Interpretation: In the above graph substandard asset ratio of PCHFL is 79.80% in 2014 and it was increased to 84.89% in the year 2015 and 86.03% in 2016 and in the year 2017 and 2018 it was decreased to 80.97% and 76.07% respectively.

Doubtful Asset Ratio

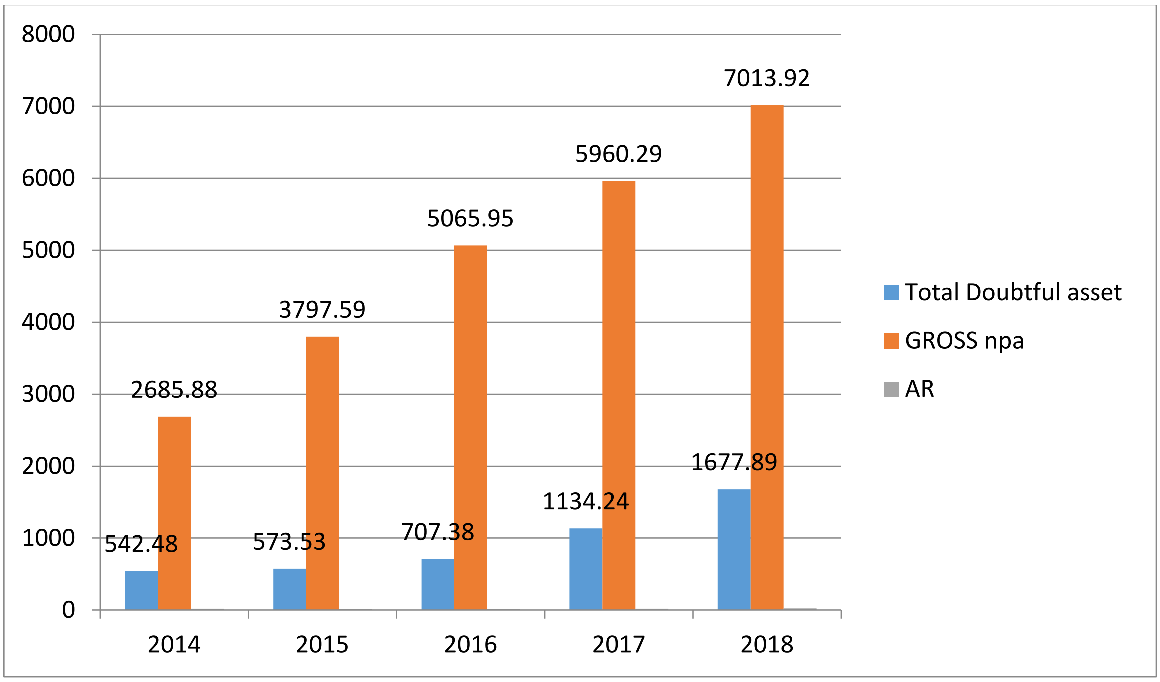
4.10. Table Showing Doubtful Asset Ratio of PCHFL

Doubtful Asset Ratio = Total Doubtful Asset / Gross NPA*100

Year	Total Doubtful Asset	Gross NPA	Doubtful Asset Ratio
2014	542.48	2685.88	20.197
2015	573.53	3797.59	15.102
2016	707.38	5065.95	13.963
2017	1134.24	5960.29	19.030
2018	1677.89	7013.92	23.922

Source: Extracted from Annual report of PCHFL

4.10. Graph showing Doubtful Asset Ratio of PCHFL



Source: Table 4.10

Interpretation: The doubtful asset ratio in the year 2014 is 20.19% in the year 2015 it was reduced to 15.10% and continued with the same trend in 2016 and in 2017 it was increased to 23.92%, which depicts that the recovery technique of the bank is not up to the mark and bank is under increased credit risk which is not positive remark for the bank.

CHAPTER - 5

SUMMARY OF FINDINGS, SUGGESTIONS AND CONCLUSION

5.1. FINDINGS

- The total deposits position is increased from year to year continuously. It is 100% in the year 2013-2014, further it increased to 113% in 2014-2015 and 155% in the year 2015-2016. Then 174% and 207% in the year 2016-2017 and 2017-2018.
- There is a disparity in the revenue. It has improved from 2013-14 to 2017-2018.
- There is variety in the benefit position of the bank from year to year. It expanded from 2013-14 to 2017-18.
- The trend of return on asset has been varied from year to year.
- The percentage of total non-performing asset has been continuously increased from 2013-14 to 2015-16. There is 0% loss in NPA in the year 2014-18.
- The overall performance of the company is satisfactory. It has successfully improved financial position. It is working in order to strengthen its financial viability.

5.2. SUGGESTIONS

- The company should need to focus on diversifying its funds in order to make proper utilization of funds.
- Risk assessment of the customer must be made by the banks before sanctioning loan to them.
- The company need to adopt new technology in financial activities of the Company.
- They should also consider the current income and assets of the Barrower.
- Need to provide proper training for the staff.
- Credit rating of customer must be update periodically.
- Bank should follow the credit management policies in order to control credit risk.
- The performance and reports must be regularly reviewed in order to detect errors.

5.3. CONCLUSION

Credit risk management starts with the process and comes to an end by repaying the debt along with interest. For managing the risk, banks or financial institution needs to focus on credit scoring and credit rating aspects which improves process of credit lending and also helps in identifying the credit worthiness of the bank.

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DEPARTMENT OF MBA

PROJECT (17MBAPR407) -WEEKLY REPORT

NAME OF THE STUDENT: RAGHAVA.H

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COMPANY NAME: PIRAMAL CAPITAL AND HOUSING FINANCE LIMITED.BENGALURU

WEEK	WORK UNDERTAKEN	EXTERNAL GUIDE SIGNATURE	INTERNAL GUIDE SIGNATURE
3rd Jan 2019 – 9th Jan 2019	Industry Profile and Company Profile	Nitesh Kumar	
10th Jan 2019 – 17th Jan 2019	Preparation of Research instrument for data collection	Nitesh Kumar	
18th Jan 2019 – 25th Jan 2019	Data collection	Nitesh Kumar	
26th Jan 2019 – 2nd Feb 2019	Analysis and finalization of report	Nitesh Kumar	
3rd Feb 2019 – 9th Feb 2019	Findings and Suggestions	Nitesh Kumar	
10th Feb 2019 – 16th Feb 2019	Conclusion and Final Report	Nitesh Kumar	

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