Kerala Police Housing Co-operative Society Limited
February 01, 2017

Ratings

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Rating¹</th>
<th>Rating Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long-term Bank Facilities</td>
<td>100 [enhanced from 50] (Rupees One hundred crore only)</td>
<td>CARE BBB; Stable [Triple B; Outlook: Stable]</td>
<td>Reaffirmed</td>
</tr>
</tbody>
</table>

Details of instruments/facilities in Annexure-1

Detailed Rationale

The rating continues to factor in the longstanding and established track-record of operations of Kerala Police Housing Co-operative Society Limited (KPHC), growth in the loan portfolio during FY16 (refers to the period April 1 to March 31) and H1 FY17 (refers to the period April 1 to September 30), stable financial performance and low NPA levels. The rating is, however, constrained by the constitution of KPHC as a co-operative society with the regulations largely dependent upon the bylaws of the society, relatively moderate size of operations, concentration of the loan portfolio and the resource profile.

Going forward, the ability of KPHC to grow its loan portfolio while maintaining the asset quality, profitability & capital structure and diversify the resource profile will be the key rating sensitivities.

Detailed description of the key rating drivers

KPHC has a longstanding track record of operations of more than three decades having commenced its operations from March 1982. The society was established with an aim to help the police personnel to fulfil their housing needs by providing housing loans at reasonable interest rates. KPHC is a housing co-operative society with its operational and administrative framework largely framed upon its own set of bylaws and the Kerala Co-operative Societies Act of 1969. The administrative decisions are taken by a 15 member committee having representatives from each of the 14 revenue districts of the state of Kerala and an IPS officer as its president along with a vice president.

The loan book of the society has shown significant growth of 47% during FY16 from Rs.144 crore as on March 31, 2015 to Rs.211 crore as on March 31, 2016. As on March 31, 2016, the housing loans comprised 54% of the entire loan portfolio and the loan for purchase of construction materials comprised nearly 45% while the contribution of hire purchase loans was low at 0.5%.

The society extends loans only to the police personnel in the state of Kerala, who are members of the society. The monthly interest and principal components payable by the borrowers are deducted from the salary of the borrower by the salary-disbursing officer and only the remaining amount is credited into the salary account. The NPAs arise primarily due to temporary cash flow issues pertaining to a specific borrower, wherein the borrower is either under leave with loss of pay, suspension, etc.

KPHC’s financial risk profile is characterised by appreciable growth in the loan portfolio growing at a CAGR of 32% during FY14 – FY16, healthy profitability indicators and asset quality parameters. In FY16, the society has predominantly grown its portfolio using debt (loans from bank and fixed deposits) due to which there was a moderation in NIM. The society has floated certain deposit schemes as part of its welfare and benefit plans for the police personnel, which are largely interest-free and aid the society to mobilise relatively lower cost for raising these funds. The operational expenses of the society are also on the lower side as a larger portion of the staff is from the Kerala Police Department.

KPHC’s entire portfolio is however limited to the police personnel in the state of Kerala. This has also rendered the loan book of KPHC at Rs.211 crore as on March 31, 2016 despite having more than three decades of operations.

The borrowed funds constituted only 36% of the total liabilities of the society whereas the own funds (capital & surplus) comprised 30% and the deposits (largely interest-free) formed 34% as on March 31, 2016. Going forward, with expected increase in loan book, it would be crucial for the society to maintain the profitability and spreads, by matching the availability of low cost resources as to the rise in loan book.

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications
Press Release

Analytical approach: Standalone

Applicable Criteria
- Criteria on assigning Outlook to Credit Ratings
- CARE’s Policy on Default Recognition
- Rating Methodology – Housing Finance Companies
- Financial ratios – Financial sector

About the Company
Kerala Police Housing Co-Operative Society Limited (KPHC) was registered in the year 1980 under the Kerala Co-Operative Societies Act of 1969 with an aim to fulfil the housing needs of the police personnel in Kerala and also to work for their welfare and general upliftment. The society commenced functioning from March 1982 onwards.

KPHC is primarily engaged in providing housing loans to the police personnel in the state and allied activities such as providing other loan facilities and certain other welfare schemes to the members. The housing loans accounted for 54% of the total loan book of KPHC as on March 31, 2016. The society has more than 50,000 members as at the end of October 2016.

During FY16 (refers to the period April 1 to March 31), KPHC earned a PAT of Rs.7.3 crore on a total income of Rs.21.3 crore as against a PAT of Rs.5.8 crore on a total income of Rs.16.4 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact:
Name: Mr P Sudhakar
Tel: 044-2849 7812
Mobile: 94422 28580
Email: p.sudhakar@careratings.com

**For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer
CARE’s ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.

In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.
Annexure-1: Details of Instruments/Facilities

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Date of Issuance</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Size of the Issue (Rs. crore)</th>
<th>Rating assigned along with Rating Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund-based - LT-Term Loan</td>
<td>-</td>
<td>-</td>
<td>May 2023</td>
<td>100.00</td>
<td>CARE BBB; Stable</td>
</tr>
</tbody>
</table>

Annexure-2: Rating History of last three years

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Instrument/Bank Facilities</th>
<th>Type</th>
<th>Amount Outstanding (Rs. crore)</th>
<th>Rating</th>
<th>Date(s) &amp; Rating(s) assigned in 2016-2017</th>
<th>Date(s) &amp; Rating(s) assigned in 2015-2016</th>
<th>Date(s) &amp; Rating(s) assigned in 2014-2015</th>
<th>Date(s) &amp; Rating(s) assigned in 2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fund-based - LT-Term Loan</td>
<td>LT</td>
<td>100.00</td>
<td>CARE BBB; Stable</td>
<td>-</td>
<td>1)CARE BBB (25-Nov-15)</td>
<td>1)CARE BBB (04-Jun-14)</td>
<td>-</td>
</tr>
</tbody>
</table>
CONTACT
Head Office Mumbai

Mr. Amod Khanorkar  
Mobile: + 91 98190 84000  
E-mail: amod.khanorkar@careratings.com

Mr. Saikat Roy  
Mobile: + 91 98209 98779  
E-mail: saikat.roy@careratings.com

CREDIT ANALYSIS & RESEARCH LIMITED
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022  
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Mehul Pandya  
32, Titanium, Prahaladnagar Corporate Road,  
Satellite, Ahmedabad - 380 015  
Cell: +91-98242 56265  
Tel: +91-79-4026 5656  
E-mail: mehul.pandya@careratings.com

BENGALURU
Mr. Deepak Prajapati  
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,  
No. 30, M.G. Road, Bangalore - 560 001.  
Cell: +91-9099028864  
Tel: +91-80-4115 0445, 4165 4529  
E-mail: deepak.prajapati@careratings.com

CHANDIGARH
Mr. Sajan Goyal  
SCF No. 54-55,  
First Floor, Phase 11,  
Sector 65, Mohali - 160062  
Chandigarh  
Cell: +91 99888 05650  
Tel: +91-172-5171 100 / 09  
Email: sajan.goyal@careratings.com

CHENNAI
Mr. V Pradeep Kumar  
Unit No. O-509/C, Spencer Plaza, 5th Floor,  
No. 769, Anna Salai, Chennai - 600 002.  
Cell: +91 98407 54521  
Tel: +91-44-2849 7812 / 0811  
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar  
T-3, 3rd Floor, Manchester Square  
Puliakulam Road, Coimbatore - 641 037.  
Tel: +91-422-4332399 / 4502399  
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob  
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,  
Hyderabad - 500 029.  
Cell: +91 90520 00521  
Tel: +91-40-4010 2030  
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni  
304, Pashupati Akshat Heights, Plot No. D-91,  
Madho Singh Road, Near Collectorate Circle,  
Bani Park, Jaipur - 302 016.  
Cell: +91 – 95490 33222  
Tel: +91-141-402 0213 / 14  
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal  
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)  
10A, Shakespeare Sarani, Kolkata - 700 071.  
Cell: +91-98319 67110  
Tel: +91-33- 4018 1600  
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal  
13th Floor, E-1 Block, Videocon Tower,  
Jhandewalan Extension, New Delhi - 110 055.  
Cell: +91-98117 45677  
Tel: +91-11-4533 3200  
E-mail: swati.agrawal@careratings.com

PUNE
Mr. Pratim Banerjee  
9th Floor, Pride Kumar Senate,  
Plot No. 970, Bamburda, Senapati Bapat Road,  
Shivaji Nagar, Pune - 411 015.  
Cell: +91-98361 07331  
Tel: +91-20- 4000 9000  
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691