

## Kerala Police Housing Co-Operative Society Limited

March 04, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	1,150.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BBB-; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) has been seeking information from Kerala Police Housing Cooperative Society Limited to monitor the rating vide e-mail communications/letters dated December 06, 2024, December 12, 2024, December 26, 2024, December 31, 2024, and January 17, 2025, among others and numerous phone calls. However, despite our repeated requests, the company has not provided requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating basis best available information, which however, in CARE Ratings' opinion is not sufficient to arrive at a fair rating. The rating on Kerala Police Housing Co-operative Society Limited bank facilities will now be denoted as **CARE BB+; Stable; ISSUER NOT COOPERATING\***.

**Users of this rating (including investors, lenders and public at large) are hence requested to exercise caution while using above rating(s).**

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by KPHC with CARE's efforts to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

The rating assigned to bank facilities of KPHC is constrained by constitution of KPHC as a co-operative society with regulations largely depending on bylaws of the society, less-than-adequate management information system (MIS) system, concentration of the loan portfolio, and concentrated funding profile.

The rating however derives strength from long-standing and established track-record of operations, low operating expenses, and inherent assurance of payment on account of lending to Kerala police personnel where instalments of borrowers are deducted from the salary.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on April 02, 2024, the following were the rating strengths and weaknesses.

### Key weaknesses

#### Constitution of KPHC being a co-operative society

KPHC is a housing co-operative society with its operational and administrative framework largely framed on its set of bylaws and the Kerala Co-Operative Societies Act of 1969. Administrative decisions are taken by a 15-member committee having representatives from 14 revenue districts of Kerala and an IPS officer as its president and a vice president. The executive control will be exerted by the Secretary, who is generally an Assistant Registrar with KSDC, aided by an assistant secretary and accountant/cashier from the same department. These senior officers are assisted by police personnel under working arrangement from the Kerala Police Department and a few people are hired on contract basis. Monthly meetings are conducted by the committee to monitor key developments in the month and plans for future months. The share capital is brought in by society members (police personnel and their relatives/dependents), which may be withdrawn once the lock-in period of three years is over, and the society's dues by respective member (repayment obligations) are paid off. There is scope of improvement in the

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

MIS system. As a society, there is exemption from income tax and accounts presentation/reporting are not standardised. The society does not come under the purview of RBI/NHB, resulting in negligible regulatory disclosure/filings.

### **Moderate capital structure with further increase in gearing in FY23**

The society's gearing increased from 8.42x as on March 31, 2021, to 10.21x as on March 31, 2023, which indicates increased reliance on external borrowings. Gearing excluding non-interest-bearing deposits stood at 8.31x as on March 31, 2023, against 7.27x as on March 31, 2022. With constitution of KPHC being a society, it can issue shares only to new members, which restricts them to raise equity from outside. Maintenance of adequate capital remains a key rating sensitivity. CARE Ratings expects gearing to remain high going forward as well. Being a cooperative society, KPHC does not have minimum regulatory capital adequacy ratio (CAR) requirement.

### **Concentrated loan portfolio**

KPHC's entire portfolio is limited to the police personnel in Kerala. The relatively lower target base and cap on loan per borrower (maximum up to ₹40 lakh) resulted in moderate size of loan portfolio and restrict the society to grow further.

### **Concentrated funding profile**

The society's borrowing profile comprised deposits from members occupying 28% (PY: 36%) and borrowings from bank occupying 72% (PY: 64%) of the total borrowings as on March 31, 2023. Currently, the society holds deposits from members through noninterest-bearing deposit schemes aggregating ₹233 crore (PY: ₹240 crore) and interest carrying deposits (fixed deposits) aggregated ₹118 crore (PY: ₹95 crore), of total outstanding deposits of ₹351 crore as on March 31, 2023. Collective Posthumous Aid Scheme (CPAS) and Critical Ailment Relief Endowment (CARE) deposits are interest-free, and fixed deposits carry an interest rate of ~9%. However, fixed deposits comprised ~34% of total deposits mobilised by KPHC as on March 31, 2023. As on September 30, 2023, deposits from members stood at 31% and bank borrowings from bank occupying 69%

### **Key strengths**

#### **Long-standing and established track-record of operations**

KPHC has a long-standing track record of operations of over three decades, having commenced operations from March 1982. Established with an aim to help the police personnel to fulfil their housing needs by providing housing loans at reasonable interest rates, the society has been able to steadily increase and maintain its member strength at 54,017 as on September 30, 2023, the spectrum of services provided, and size of the portfolio. Apart from housing loans, the society currently extends allied services such as loans for purchase of construction materials, vehicle loans, and education loans. The society also provides welfare schemes, where members make interest-free deposits of fixed amounts, against which, cash benefit is provided by the society as posthumous or mediclaim benefit. These deposits have also aided the society to part-fund its increasing loan portfolio. The society has started investing in real estate for development and sale to police personal, for which, exposure to real estate will be replaced as loans to police personal once the property is allocated to the respective personal. The exposure and progress of these projects remain a key monitorable.

#### **Growing scale of operations**

KPHC's total loan portfolio stood at ₹1,335 crore as on March 31, 2023, which grew by 17% from ₹1,143 crore as on March 31, 2022. As on March 31, 2023, housing loans comprised 50% (PY: 43%) of the entire loan portfolio followed by loan for purchase of construction materials (consumption) comprising nearly 42% (PY: 46%), hire purchase loans at 0.42% (PY: 0.36%), other loans constitute around 7.35% as on March 31, 2023 (PY: 10.92%). The loan portfolio increased to ₹1,361 crore as on September 30, 2023 (Provisional). The society had also started branches at Trivandrum and Calicut in FY21. Thus, the society has one branch each in the north, central and south of Kerala.

#### **Inherent assurance of payment, yet overdue levels increased in FY23 due to disruption in salary deduction**

The loan size, which is disbursed to a borrower, is calculated based on monthly take-home salary of the respective borrower (monthly repayment obligation will be capped at 60% of the take-home salary of the borrower) with pending tenure of the borrower in service, both of which have to be verified by head of the department of the respective borrower. Loan amount to a borrower is currently capped at ₹40 lakh with maximum tenure up to 20 years and loan amount is calculated as lowest of 80% of the estimate property value or the amount calculated based on repayment capacity and pending tenure of service of the borrower. Additional loan of up to ₹2 lakh may be extended to the borrower depending on progress of the house under construction and repayment capacity of the borrower. The repayment is scheduled in such a way that it concludes at least one year before the date of retirement of the borrower. Monthly interest and principal components are deducted from the borrower's salary by the salary-disbursing officer (generally the head of the department of the borrower) and only the remaining amount is

credited into the salary account. This has helped KPHC keep non-performing assets (NPA) level low, and there are no write-offs, except in case of demise of a borrower in the tenure in service. In case of HCML, surety of two other police personnel is required for the amount to be disbursed. In the event of continued delays by the borrower, recovery is made from the surety's salary. The society considers overdue amount (Principal overdue + Interest Overdue) as NPA. Overdue arise primarily due to temporary cash flow issues pertaining to a specific borrower, where the borrower is either under leave with loss of pay, suspension, or due to transfer from the unit to another, leading to technical issues. However, overdue arriving due to such technical issues is subsequently collected in instalments with regular equated monthly instalments (EMIs) over time. There was a spike in NPA levels in FY22 because the Government of Kerala (GoK) ordered removal of the cooperative society recovery module from payroll system for government departments through a circular on July 07, 2021. However, KPHC continued deducting the same till January 2022, after which, deductions were completely stopped from the salary. The society implemented other means of collections such as bank mandates, online payment mechanism, app payment mechanism, and mobile collections units for continuing collections from February 2022. In December 2022, GoK issued exemptions for uniformed departments from the circular dated July 07, 2021. The EMI collected by the society is used to clear overdue interest component, current interest component and subsequently the principal component. Hence, the overdue amount is increasing monthly. In June 2023, the company has started collecting arrears also on the existing loan amount to increase the pace of clearing dues. Overdue, as a percentage of the loan portfolio, stood at 1.80% as on March 31, 2023, and 2.43% as on September 30, 2023.

### Moderate-yet-stable profitability

KPHC charges interest rate of around 8.9% for housing loans and 10.0% for non-housing loans. The society's net income margin (NIM) was around 1.97% in FY23 as against 2.21% in FY22 with an increase in leverage. Operating expenses to average total assets remained low at 0.59% in FY23 (PY: 0.62%) since larger portion of the staff are from the Kerala Police Department on working arrangement, where their salaries are paid by the department instead of the society. Credit costs increased from 1.17% in FY22 to 1.53% in FY23 due to increase in NPAs. With increase in credit costs, profits moderated in FY23 with the society reporting profit of ₹5 crore and return on total assets (ROTA) of 0.39% in FY23 against profit of ₹9 crore and ROTA of 0.82% in FY22. Pre-provision operating profit (PPOP) stood at ₹33 crore in H1FY24.

### Applicable criteria

[Information Adequacy Risk and Issuer Non-Cooperation](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios - Financial Sector](#)

[Housing Finance Companies](#)

### About the company and industry

#### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Financial services	Financial services	Finance	Other financial services

KPHC was registered in 1980 under the Kerala Co-Operative Societies Act of 1969, to fulfil housing needs of police personnel in Kerala and work for their welfare and general upliftment. The society commenced functioning from March 1982 onwards. GoK and the Registrar of Co-Operative Societies (appointed by GoK) have the right to appoint an administrator to take administrative control of the society. The society's secretary and assistant secretary take care of operational activities and are appointed on deputation from KSDC of GoK. GoK holds the option of holding share capital in the society. Currently, equity holding by GoK in the society is nil and the society members hold the entire share capital. KPHC is primarily engaged in providing housing loans to police personnel in the state and allied activities such as providing loans towards purchase of construction material and other welfare schemes to the members. The society had around 54,017 members as on September 30, 2023. As on September 30, 2023, housing loans accounted for 53.17% of the total loan book and rest is housing construction material loan (40.61%), Hire purchase loan (0.47%), and other loans consisting of vehicle loans, CARE Plus scheme loans, and education loans (5.74%).

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	30-09-2023 (UA)
<b>Standalone</b>			
<b>Total income</b>	100	119	66
<b>PAT</b>	9	5	NA

Brief Financials (₹ crore)	31-03-2022 (A)	31-03-2023 (A)	30-09-2023 (UA)
<b>Standalone</b>			
<b>Interest coverage (times)</b>	1.13	1.06	NA
<b>Total assets</b>	1,232	1,414	1461
<b>Net NPA (%)</b>	0.74	0.29	2.43
<b>ROTA (%)</b>	0.82	0.39	NA

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan	-	-	-	September, 2037	1150.00	CARE BB+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

#### Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	1150.00	CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB-; Stable (02-Apr-24)	-	1)CARE BBB; Stable (14-Mar-23)	1)CARE BBB; Stable (02-Mar-22) 2)CARE BBB; Stable (06-Jan-22) 3)CARE BBB; Stable (08-Apr-21)

\*Issuer did not cooperate; based on best available information.

LT: Long term

#### Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view lender-wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for clarifications.

## Contact us

<b>Media Contact</b>  Mradul Mishra Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3596 E-mail: <a href="mailto:mradul.mishra@careedge.in">mradul.mishra@careedge.in</a>	<b>Analytical Contacts</b>  Vineet Jain Senior Director <b>CARE Ratings Limited</b> Phone: +91-22-6754 3456 E-mail: <a href="mailto:vineet.jain@careedge.in">vineet.jain@careedge.in</a>
<b>Relationship Contact</b>  Pradeep Kumar V Senior Director <b>CARE Ratings Limited</b> Phone: +91-44-2850 1001 E-mail: <a href="mailto:pradeep.kumar@careedge.in">pradeep.kumar@careedge.in</a>	Ravi Shankar R Associate Director <b>CARE Ratings Limited</b> Phone: +91-44-2850 1016 E-mail: <a href="mailto:ravi.s@careedge.in">ravi.s@careedge.in</a>
	Kritarth Aneja Analyst <b>CARE Ratings Limited</b> E-mail: <a href="mailto:Kritarth.Aneja@careedge.in">Kritarth.Aneja@careedge.in</a>

### About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

### Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,  
please visit [www.careedge.in](http://www.careedge.in)**