Press Release

PROVINCIAL FINANCE AND LEASING CO PRIVATE LIMITED

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	1000.00	PP-MLD | ACUITE BB+ | Stable | Assigned	-
Non Convertible Debentures (NCD)	700.00	PP-MLD | ACUITE BB+ | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	1700.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has assigned the long-term rating of **'ACUITE PP-MLD BB+' (read as ACUITE Principal Protected Market Linked Debentures Double B plus)** on the Rs. 1000.00 Cr. proposed principal protected market linked debentures of Provincial Finance & Leasing Company Private Limited (PFPL). The outlook is **'Stable'**.

Acuité has reaffirmed the long-term rating of **'ACUITE PP-MLD BB+' (read as ACUITE Principal Protected Market Linked Debentures Double B plus)** on the Rs. 700.00 Cr. principal protected market linked debentures of Provincial Finance & Leasing Company Private Limited (PFPL). The outlook is **'Stable'**.

The rating factors in the parentage of PFPL (100 percent owned subsidiary of Alpha Alternatives Holdings Private Limited) and synergies arising from this association. The rating factors in track record & experience of the management team in managing investments across various asset classes. Alpha Alternatives commenced their operations in 2013 and have been managing assets worth Rs. 3,502 Cr. as on March 31, 2022 spread across equity, commodity other alternative asset classes under 7 AIF, PMS and other schemes. PFPL is expected to benefit from the shared management expertise, risk management practices as well as shared operational & infrastructural support of Alpha Alternatives. PFPL the NBFC arm of Alpha Alternatives would be investing funds raised from investors via PP-MLD issue, the investments would be managed by fund managers from Alpha Alternatives and would follow similar strategies as currently adopted in the parent. While the investment strategy under PFPL will be focused on equity and equity backed derivatives, the tested investment and risk management strategies at parent level will be critical for managing investments and scaling up AUM at PFPL level.
The rating is however, constrained by limited operational track record of PSPL and high leverage expectations as the leverage under PSPL would be around 7 times in medium term. Going forward, the ability of the company to profitably manage and scale up the AUM would be key credit monitorable.

About the company

Mumbai based, Provincial Finance & Leasing Company Private Limited (PFPL) is a registered non-deposit, systemically important NBFC and was acquired by Alpha Alternatives in 2019. The NBFC is a wholly owned subsidiary of Alpha Alternatives Holdings Private Limited. The company is promoted by Mr. Naresh Kothari through Kothari Family Private Trust. Alpha Alternatives (AA) is a Multi Asset Class, Proprietary Capital investing and Asset Management platform. The Group creates alternative investment products across Equities, Commodities and other alternative asset classes. The Group operates across multiple structures/licenses – Alternative Investment Fund (AIF), Portfolio Management Services (PMS) & NBFC.

Analytical Approach

Acuite has taken standalone business and financial risk profiles of Provincial Finance & Leasing Company Private Limited.

About the rated instrument: The Rs. 700 Cr. and Rs. 1000 Cr. Principal Protected Market Linked Debentures are equity linked debentures, where the returns are linked to capital market returns on other underlying securities/indices. The principal amount is subject to the credit risk of the issuer whereby the investor may or may not recover all or part of the funds in case of default by the issuer. The instrument is subject to model risk wherein, the securities created are on the basis of complex mathematical models involving multiple derivative exposures which may or may not be hedged and the actual behavior of the securities selected for hedging may significantly differ from the returns predicted by PSPL or Alpha Alternatives using such mathematical models.

Key Rating Drivers

Strength

Experienced management team and synergies with parent

Provincial Finance & Lease Company Private Limited (PFPL) is the non-deposit, non-systematically important NBFC arm of Alpha Alternatives Holdings Private Limited. PFPL was acquired by Alpha Alternatives in 2019. PFPL is not primarily involved in lending activities and is majorly engaged in investing funds raised from investors via PP-MLD issue, the investments would be managed by fund managers from Alpha Alternatives and would follow similar investing strategies as currently adopted in the parent. The investment strategy for the current issue under PFPL will be focused on equity and equity backed derivatives.

The holding company Alpha Alternatives is promoted by Mr. Naresh Kothari (Founder & Managing Partner) and is led by him and his team of experienced professionals. Mr. Naresh is a seasoned financial services professional with over two decades of experience in business building and capital markets. Prior to Alpha Alternatives, Mr. Naresh was one of the earliest Senior Partners at Edelweiss Financial Services. He has previously led teams for Equity Capital Markets business and also a leading Alternative Asset Management platform. Alpha Alternatives have shown growth in their AUM which grew to Rs. 3,502 Cr. as on March 31, 2022 from Rs. 1,182 Cr. as on March 31, 2020. These assets are managed through various strategies based on Arbitrage (incl. commodities), Absolute Return and Equity based and Structured Credit.

The holding company is planning to raise Rs. 1000 Cr. via PPMLD issuance in the NBFC which would further add to the growth of AUM on a consolidated basis. The proceeds from the issue will be invested through the Alpha Alternatives's Equity Absolute Return (EQAR) strategy. This strategy currently has an AUM of Rs. 978 Cr. as on March 31, 2022 from Rs. 227 Cr. as on March 31, 2020. Apart from strategic and risk management synergies with the parent, PSPL would also benefit from the capital support from Alpha Alternatives. The holding company has committed an overall capital infusion of around Rs. 150.00 Cr. in PSPL and would be supporting the company for any future requirements.

Weakness

Susceptibility to uncertainties inherent in the capital markets

The company's operating performance is linked to the capital markets, which are inherently volatile as they are driven by economic and political factors as well as investor sentiments. All the proceeds from the PP-MLD issue will be invested in capital markets and derivatives. Also, the coupon payments in the form of returns are also highly dependent on the performance of

the underlying securities and derivatives invested. Though investments in equity and equity backed derivatives will be via liquid securities, the company and investments shall be exposed to gap down risk, and other market and liquidity risks.

High leverage expectancy

Alpha Alternatives's track record of operating business at NBFC level is limited. The management plans to leverage PSPL around 6-7 times and would require capital support from the parent company Alpha Alternatives for its future growth plans. Going forward, the ability of the company to profitably manage and scale up the AUM would be key credit monitorable.

Rating Sensitivity

- Operating performance
- AUM growth
- Any changes in management and ownership pattern
- Changes in regulatory environment

Material Covenants

None

Liquidity: Adequate

The company's liquidity is adequate and as a part of its strategy have maintained ~Rs. 520 Cr. in liquid funds and ~Rs. 300 Cr. in deposits as on March 31, 2022.

Outlook :Stable

Acuité believes PFPL will maintain a 'Stable' business risk profile over the medium term. The company will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues, while achieving sustained improvement in operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

Key Financials - Standalone / Originator

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Total Assets	Rs. Cr.	4.38	4.30
Total Income*	Rs. Cr.	0.43	0.32
PAT	Rs. Cr.	0.06	0.02
Networth	Rs. Cr.	4.21	4.16
Return on Average Assets (RoAA)	(%)	1.28	0.63
Return on Net Worth (RoNW)	(%)	1.33	0.65
Total Debt/Tangible Networth (Gearing)	Times	-	-
Gross NPA's	(%)	-	-
Net NPA's	(%)	-	-

** Total income equals to Net interest income plus other income*

Status of non-cooperation with previous CRA (if applicable):
Not Applicable

Any other information
Not Applicable

Applicable Criteria
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm
• Complexity Level Of Financial Instruments: https://www.acuite.in/view-rating-criteria-55.htm
• Default Recognition: https://www.acuite.in/view-rating-criteria-52.htm
• Non-Banking Financing Entities: https://www.acuite.in/view-rating-criteria-44.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/view-rating-criteria-55.htm

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 Mar 2022	Proposed Non Convertible Debentures	Long Term	550.00	ACUITE PP-MLD BB+ | Stable (Assigned)
	Proposed Non Convertible Debentures	Long Term	150.00	ACUITE PP-MLD BB+ | Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Not Applicable	INE0L6807013	Principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	700.00	PP-MLD | ACUITE BB+ | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	1000.00	PP-MLD | ACUITE BB+ | Stable | Assigned

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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Acuité RATINGS & RESEARCH

Rating Revalidation Letter

Private and Confidential

Scan this QR Code to verify authenticity of this rating

August 03, 2022

Provincial Finance And Leasing Company Private Limited
34th Floor, Sunshine Tower, Senapati Bapat Marg Near Kamgar Krida Maidan, Dadar (West) Mumbai.

Kind Attn.: Mr. Shreyans Mehta, Director & CFO (Tel. No. 9769710933)

Dear Mr. Mehta,,

Sub.: Credit Rating of Secured Redeemable Non-Convertible Debenture Issue by Provincial Finance And Leasing Company Private Limited Aggregating Rs. 1000 Cr

Acuité Ratings & Research Limited has an outstanding rating of 'ACUITE PP-MLD BB+' read as [ACUITE Principal Protected Market Linked Debentures Double B plus] with a 'Stable' outlook for the abovementioned debt instrument [see annexure 1]. As per Acuité's rating definition, instruments with this rating are considered to have high degree of safety regarding timely servicing of financial obligations. Such instruments carry very low credit risk.

Kindly inform us the details of the NCDs being issued by you, immediately, but not later than 7 days from the date of such issuances in the following format:

Type of Instrument	ISIN	Issue Size (Rs. cr.)	Date of issue	Coupon Rate	Coupon Payment Dates	Terms of Redemption	Redemption date	Name and contact details of Debenture Trustee	Names of top 10 investors

Acuité reserves the right to revise the ratings, along with the outlook, at any time, on the basis of new information, or other circumstances which Acuité believes may have an impact on the ratings. Such revisions, if any, would be appropriately disseminated by Acuité as required under prevailing SEBI guidelines and Acuité's policies. Hence lenders / investors are advised to visit https://www.acuite.in/ to confirm the current outstanding rating. Acuité ratings are not recommendations to buy, sell or hold any security.

Yours truly,
For Acuité Ratings & Research Limited

Suman Chowdhury

Suman Chowdhury
Chief Analytical Officer

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Rating Revalidation Letter

ANNEXURE - I

Instrument	Scale	Amount (Rs. Cr)	Ratings
Proposed Non Convertible Debentures	Long Term	1000.00	ACUITE PP-MLD BB+/ Stable
Total Debt		**1000.00**	