



### Press Release

## ALPHA ALTERNATIVES FINANCIAL SERVICES PRIVATE LIMITED (ERSTW PROVINCIAL FINANCE AND LEASING CO PRIVATE LIMITED)

November 08, 2023

### Rating Reaffirmed

Product	Amt(Cr)	Long Term Rating	Short Term Rating
Non Convertible Debentures (NCD)	100.00	ACUITE BBB-   Stable   Reaffirmed	-
Non Convertible Debentures (NCD)	3300.00	PP-MLD   ACUITE BBB-   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	3400.00	-	-

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE PP-MLD BBB-**' (read as **ACUITE Principal Protected Market Linked Debentures Triple B minus**) on the Rs. 3300.00 Cr. Principal Protected Market Linked Debentures of Provincial Finance & Leasing Co Private Limited (PFPL). The outlook remains '**Stable**'.

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) on the Rs. 100.00 Cr. Proposed Non Convertible Debentures of Provincial Finance & Leasing Co Private Limited (PFPL). The outlook is '**Stable**'.

### Rationale for Reaffirmation

The rating reaffirmation takes into account improved profitability and continued capital support for the company. The company reported a profit of Rs. 43.82 Cr for FY2023 as compared to Rs. 0.04 Cr for FY2022, the profit further stood at Rs. 69.03 Cr for H1FY2024. Since H1FY2023, the company has infused 113 crore fresh Tier-1 capital (equity & CCPS) and 172 crore Tier II capital. The company has 125 crs of reserves surplus, P&L generated from March 2022 to Sep 2023. The network of the company has decreased during H1FY24, that is primarily on account of reclassification of the securities premium which was previously classified under network. This has resulted into increased leverage levels during the period.

The rating continues to factor in the parentage of AFPL (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 spread across equity, commodity and other alternative asset classes under 7 AIF, PMS and other schemes. AFPL is expected to benefit from the shared management expertise, risk management practices as well as shared operational & infrastructural support of Alpha Alternatives. AFPL 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 AFPL will be focused on equity and commodity backed derivatives, the tested investment and risk management strategies at parent level will be critical for managing investments and scaling up AUM at AFPL level.

The rating is however, constrained by the limited operational track record of AFPL and high leverage expectations, as the leverage under AFPL would be around 5 times in medium term.

Going forward, the ability of the company to timely infuse capital and scale up the AUM would be a 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 the Kothari Family Private Trust. Alpha Alternatives (AA) is a multi-asset 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/licences – Alternative Investment Fund (AIF), Portfolio Management Services (PMS), and NBFC.

## Unsupported Rating

Not Applicable

## Analytical Approach

Acuite has taken standalone business and financial risk profiles of Provincial Finance & Leasing Company Private Limited. About the rated instrument: The Rs. 3300 Cr. Principal Protected Market Linked Debentures are commodity and 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 behaviour of the securities selected for hedging may significantly differ from the returns predicted by AFPL or Alpha Alternatives using such mathematical models.

## Key Rating Drivers

### Strength

#### Experienced management team and synergies with parent

ALPHA ALTERNATIVES FINANCIAL SERVICES PRIVATE LIMITED (AFPL) is the nondeposit, systemically important NBFC arm of Alpha Alternatives Holdings Private Limited. Alpha Alternatives acquired AFPL in 2019. AFPL is not primarily involved in lending activities and is majorly engaged in investing funds raised from investors via the PP-MLD issue. The investments would be managed by fund managers from Alpha Alternatives and would follow similar investing strategies as currently adopted by the parent. While the investment strategy for the previous issues under AFPL was focused on equity and equity-backed derivatives, the current issue is also expected to follow the same strategy.

The holding company Alpha Alternatives is promoted by Mr. Naresh Kothari (Founder and 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 the equity capital markets business and a leading alternative asset management platform.

The holding company is planning to raise funds 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 Alpha Alternatives' Equity Absolute Return (EQAR) strategy and Commodities Absolute Return (CAR) strategy.

### 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 highly dependent on the performance of the underlying securities and derivatives invested. Though investments in equity and commodity backed derivatives will be via liquid securities, the company and investments will be exposed to gap-down risk and other market and liquidity risks.

### **Higher leverage expectancy**

Alpha Alternatives' track record of operating businesses at the NBFC level is limited. The management plans to leverage PFPL around five 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 infuse capital on time and scale up the AUM would be key credit monitorable.

### **ESG Factors Relevant for Rating**

PFPL, has a revenue stream with a majority portion accruing from the financial services sector. Adoption and upkeep of strong business ethics is a sensitive material issue for the financial services business linked to capital markets to avoid fraud, insider trading and other anti-competitive behaviour. Other important governance issues relevant for the industry include management and board compensation, board independence as well as diversity, shareholder rights and role of audit committee. As regards the social factors, product or service quality has high materiality so as to minimise misinformation about the products to the customers and reduce reputational risks. While data security is highly relevant due to company's access to confidential client information, social initiatives such as enhancing financial literacy and improving financial inclusion are fairly important for the financial services sector. The material of environmental factors is low for this industry. PFPL maintains adequate disclosures with respect to the various board level committees mainly audit committee, nomination and remuneration committee along with stakeholder management committee. PFPL also maintains adequate level of transparency with regards to business ethics issues like related party transactions, investors grievances, litigations, and regulatory penalties for the company, if relevant.

### **Rating Sensitivity**

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

### **All Covenants**

None

### **Liquidity Position**

#### **Adequate**

The companies liquidity is adequate and has maintained cash and bank balances of ~Rs. 14.11 Cr. as on March 31, 2023.

### **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.

### **Other Factors affecting Rating**

None

### **Key Financials - Standalone / Originator**

Particulars	Unit	FY23 (Actual)	FY22 (Actual)
Total Assets	Rs. Cr.	1654.36	922.68
Total Income*	Rs. Cr.	107.36	1.18
PAT	Rs. Cr.	43.82	0.04
Net Worth	Rs. Cr.	187.65	208.01
Return on Average Assets (RoAA)	(%)	3.40	0.01
Return on Average Net Worth (RoNW)	(%)	22.15	0.04
Debt/Equity	Times	7.69	3.43
Gross NPA	(%)	-	-
Net NPA	(%)	-	-

\*Total income equals to Net Interest Income plus other income

#### Status of non-cooperation with previous CRA (if applicable):

Not applicable

#### Any other information

None

#### 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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>

#### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](https://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
19 May 2023	Principal Protected Market Linked Debentures	Long Term	90.80	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Proposed Principal Protected Market Linked Debentures	Long Term	600.00	ACUITE PP-MLD BBB-   Stable (Assigned)
	Principal Protected Market Linked Debentures	Long Term	336.70	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Proposed Principal Protected Market Linked Debentures	Long Term	100.00	ACUITE BBB-   Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	207.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	82.01	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Proposed Principal Protected Market Linked Debentures	Long Term	350.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Proposed Principal Protected Market Linked Debentures	Long Term	234.59	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	700.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	360.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	188.90	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal Protected Market Linked Debentures	Long Term	150.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
10 May 2023	Principal protected market linked debentures	Long Term	700.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	207.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	336.70	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	90.80	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Proposed principal protected market linked debentures	Long Term	316.60	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	360.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	188.90	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Proposed Non Convertible Debentures	Long Term	100.00	ACUITE BBB-   Stable (Assigned)
	Proposed principal protected market linked debentures	Long Term	500.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
28 Apr 2023	Principal protected market linked debentures	Long Term	360.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Proposed principal protected market linked debentures	Long Term	500.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Proposed principal protected market linked debentures	Long Term	316.60	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	207.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	188.90	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market	Long		ACUITE PP-MLD BBB-   Stable



	linked debentures	Term	336.70	(Reaffirmed)
	Principal protected market linked debentures	Long Term	700.00	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	90.80	ACUITE PP-MLD BBB-   Stable (Reaffirmed)
04 Apr 2023	Principal protected market linked debentures	Long Term	188.90	ACUITE PP-MLD BBB-   Stable (Upgraded from ACUITE PP-MLD BB+   Stable)
	Principal protected market linked debentures	Long Term	90.80	ACUITE PP-MLD BBB-   Stable (Upgraded from ACUITE PP-MLD BB+   Stable)
	Principal protected market linked debentures	Long Term	700.00	ACUITE PP-MLD BBB-   Stable (Upgraded from ACUITE PP-MLD BB+   Stable)
	Principal protected market linked debentures	Long Term	336.70	ACUITE PP-MLD BBB-   Stable (Upgraded from ACUITE PP-MLD BB+   Stable)
	Principal protected market linked debentures	Long Term	207.00	ACUITE PP-MLD BBB-   Stable (Upgraded from ACUITE PP-MLD BB+   Stable)
	Proposed Non Convertible Debentures	Long Term	500.00	ACUITE BBB-   Stable (Assigned)
	Proposed principal protected market linked debentures	Long Term	176.60	ACUITE PP-MLD BBB-   Stable (Upgraded from ACUITE PP-MLD BB+   Stable)
	Proposed principal protected market linked debentures	Long Term	500.00	ACUITE PP-MLD BBB-   Stable (Upgraded from ACUITE PP-MLD BB+   Stable)
23 Sep 2022	Principal protected market linked debentures	Long Term	90.80	ACUITE PP-MLD BB+   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	700.00	ACUITE PP-MLD BB+   Stable (Reaffirmed)
	Proposed principal protected market linked debentures	Long Term	500.00	ACUITE PP-MLD BB+   Stable (Assigned)
	Proposed principal protected market linked debentures	Long Term	572.50	ACUITE PP-MLD BB+   Stable (Reaffirmed)
	Principal protected market linked debentures	Long Term	336.70	ACUITE PP-MLD BB+   Stable (Reaffirmed)
20 May 2022	Principal protected market linked debentures	Long Term	700.00	ACUITE PP-MLD BB+   Stable (Reaffirmed)
	Proposed principal protected market linked debentures	Long Term	1000.00	ACUITE PP-MLD BB+   Stable (Assigned)
17 Mar 2022	Proposed principal protected market linked debentures	Long Term	550.00	ACUITE PP-MLD BB+   Stable (Assigned)
	Proposed principal protected market linked 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	Complexity Level	Quantum (Rs. Cr.)	Rating
Not Applicable	INE0L6807013	Principal protected market linked debentures	25 Mar 2022	Not Applicable	09 Apr 2025	Complex	550.00	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6807039	Principal protected market linked debentures	19 Aug 2022	Not Applicable	03 Sep 2025	Complex	90.80	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6807021	Principal protected market linked debentures	27 May 2022	Not Applicable	11 Jun 2025	Complex	336.70	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6807047	Principal protected market linked debentures	06 Oct 2022	Not Applicable	21 Oct 2025	Complex	188.90	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6807054	Principal protected market linked debentures	19 Nov 2022	Not Applicable	04 Dec 2025	Complex	207.00	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6807062	Principal protected market linked debentures	12 Apr 2023	Not Applicable	27 Apr 2026	Complex	360.00	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6807070	Principal protected market linked debentures	10 May 2023	Not Applicable	25 May 2026	Complex	82.01	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6808011	Principal protected market linked debentures	03 May 2023	Not Applicable	25 Apr 2033	Complex	150.00	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6807013	Principal protected market linked debentures	25 Mar 2022	Not Applicable	09 Apr 2025	Complex	150.00	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	INE0L6807088	Principal protected market linked debentures	02 Jun 2023	Not Applicable	17 Jun 2026	Complex	191.34	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not		Principal protected	23 May	Not	15 May			PP-MLD   ACUITE



Applicable	INE0L6808029	market linked debentures	2023	Applicable	2033	Complex	16.67	BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Non Convertible Debentures	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	Complex	57.99	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	Complex	391.99	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	Complex	350.00	PP-MLD   ACUITE BBB-   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed principal protected market linked debentures	Not Applicable	Not Applicable	Not Applicable	Complex	176.60	PP-MLD   ACUITE BBB-   Stable   Reaffirmed

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Nitin Chavan Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:nitin.chavan@acuite.in">nitin.chavan@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>

### About Acuité Ratings & Research

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