Alpha Alternatives Financial Services Private Limited
(Formerly known as Provincial Finance and Leasing Co Private Limited)

Investment Policy

Version 4.0

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Applicable to: Alpha Alternatives Financial Services Private Limited ("AAFSPL") (Formerly known as Provincial Finance and Leasing Co Private Limited) ("PFLCPL")

A. Background

AAFSPL is classified as a Systematically Important Non-Deposit taking NBFC (ND-SI). The Reserve Bank of India (RBI) vide RBI/DNBR/2016-17/45 Master Direction DNBR.PD. PD.008/03.10.119/2016-17 dated September 01, 2016 (as amended) has advised the Board of NBFCs to frame an appropriate Investment Policy for the company and implement the same. This Investment Policy has beenmade pursuant to Regulation 10 of Non-Banking Financial Companies (Reserve Bank) Directions, 2016 as amended and may be modified by the Board of Directors of AAFSPL from time to time.

B. Objective

This investment policy is applicable to all investments made by AAFSPL. Meeting the long- term investment goals of the Company basically depends on a number of factors, which not only include fund availability and rate of return, but also inflation and taxes. The objectiveof the policy is to achieve the most optimal risk-return balance by trying to maximizing returns within the laid down risk parameters while maintaining adequate liquidity at all points of time through effective asset liability management (ALM). At no time shall AAFSL not prioritize the preservation of capital, to maintain financial stability of the Company.

C. Investment/Deployment of Capital

AAFSPL shall primarily invest in equities, debt, currency and other alternatives asset classes.In order to ensure that it does not incur opportunity cost because of funds remaining idle, it will also invest surplus, if any, in FDs/liquid/overnight funds. Broad universe of eligible asset classes and relevant securities is as under:

1. Equities and Equity related instruments
   - Listed equity shares
   - Unlisted equity shares (equity, preference, convertible or not)
   - Derivatives including but not limited to futures, options and forward contracts
   - IPOs/QIP or any special situations
   - Indices and ETFs
2. Debt
   - Government securities including but not limited to G-Sec, T-Bills
   - Derivatives including but not limited to Interest Rate Swaps, Overnight IndexSwaps. CBLO/TREPS based lending.
   - Debt securities issued by Banks, NBFCs and Corporates
   - Provide debt to corporates/individual
   - Inter Corporate Deposits (ICDs), including group companies
   - Debt mutual funds, liquid funds
3. Listed Commodities derivatives
   - Futures
   - Options
   - Spot
4. Others
   - Fixed Deposits/Recurring Deposits of Scheduled Commercial Banks
   - Units of AIFs, REITs
   - Other quasi equity/ quasi debt / hybrid instruments
   - Currencies and related derivatives

D. Investment Classification and Valuation

1. Investment Classification:

The Investments, that the Company will hold, will be treated as the assets of the Company held with the motive of earning income by way of dividend, interest, and / or for capital appreciation and / or for other benefits. The investments of the Company shall be classified into the following two categories:

a) Current Investment: The investments made by the Company which are intended to be held for not more than one year from the date on which such investment is made.
b) Long Term Investment: Investments intended to be held for more than one year from the date on which such investment is made

2. Transfer of Investments:

a. Investments in securities shall be classified into Current and Long Term, at the time of making each investment
b. No inter-class transfer will be made on ad-hoc basis. The inter-class transfer, if warranted, shall be effected with the approval of the Investment Committee.
c. The Investments shall be transferred scrip-wise, from Current to Long term or vice-versa, at the Book Value or Market Value, whichever is lower
d. The depreciation, if any, in each scrip shall be fully provided for and theappreciation, if any, shall be ignored

3. Valuation of Investments:

a. Valuation of Quoted Investments: Quoted investments shall, for the purposes of valuation, be grouped in the following categories:

i. Equity Shares or any compulsory convertible instruments
ii. Preference Shares
iii. Debentures and bonds
iv. Government Securities including treasury bills (dealt on NDS OM)
v. Units of Mutual Funds and
vi. Derivatives
vii. Others

Quoted current investments for each category shall be valued at fair market value which shall be the closing price on the exchange

a. Valuation of Un-quoted Investment:

i. Equity Shares: Unquoted equity shares in current investments shall be valued at Cost or Break-up value, whichever is lower. However, AAFSPL may substitute Fair value for the Break-up value of theshares, if considered necessary. Where the balance sheet of the investee company is not available for two years, such shares shall be valued at One Rupee only.
ii. Preference Shares: Unquoted preference shares in current investmentsshall be valued at Cost or Face value, whichever is lower. However, AAFSPL may substitute Fair value for the Break-up value of theshares, if considered necessary
iii. Government Securities: Investments in unquoted Government Securities or Government guaranteed bonds shall be valued basis independent valuation.
iv. Mutual Funds: Unquoted investments in the units of Mutual funds in current investments shall be valued at the Net Asset Value declared bythe mutual fund in respect of each scheme
v. Commercial Papers: Commercial Papers shall be valued at Carrying cost
vi. Debentures: Unquoted debentures shall be treated as term loans or other type of credit facilities depending upon the tenure of such debentures for the purpose of income recognition and asset classification

Note: Unquoted debentures shall be treated as term loans or other types of creditfacilities depending upon the tenure of such debentures for the purpose of incomerecognition and asset classification.

E. Structure and Governance

1. Investment Committee:

The Investment Committee of AAFSPL has the following responsibilities:

a. Evaluating investment opportunities
b. Investment of funds as per the policy guidelines
c. Fixing criteria for classifying the investments into current and long-terminvestments
d. Monitoring of Investment portfolio
e. Disposal of securities and realization of proceeds and revenue dues
f. Accounting of the Securities transactions and reconciliation thereof
g. Ensuring income and asset classification including provisioning as per RBI norms
h. Identify all risks involved and evaluate risks

The Investment Committee (IC) shall consist of the directors, Mr. Shreyans Mehta(Executive director), Mr. Paramjeet Chaddha (Head - Investments), Kavish Shah (Head Treasury) , Mr. Jay Paleja (CFO), Mr. Amit Kothari (Chief Compliance Officer) as members Any Two members will constitute the quorum. The InvestmentCommittee shall be fully authorized to invest the funds of AAFSPL in any form of investments it considers to be beneficial within the approved framework of the Board of Directors of AAFSPL. The committee shall meet on quarterly basis to discuss and review the investment decisions and financial performance of investments. In case of urgent matters the shall meet more frequently.

2. Team

The Team will primarily be divided into two categories :

- Front Office
  The Front Office shall primarily be the driver of revenue of the firm. It shall beresponsible for the following functions:
    - Identification of investment opportunities
    - Devising investment strategies across asset classes
    - Performing the required analysis to run the investment strategysuccessfully and efficiently
    - Generate returns
    - Identify, quantify and mitigate risks for all the investments

- The Trading limits for each dealer shall defined by the Head of Investments and the head of investments shall monitor the exposure and limits on daily basis

- Back Office

The Back Office is responsible to support the Front office in discharge of its duties. Itwill be responsible for the following functions:

- Settlement of transactions – securities and fund flow
- Generation of MIS – profitability, risk, liquidity, etc. as needed by the IC and Front Office team
- Data management
- Accounting and record-keeping
- Provide data and interact with all external counterparties for all statutory,legal and compliance requirements
- IT support
- Administrative support

3. Investment Evaluation Process

For the purpose of investment evaluation, the following key parameters shall be considered:

- Return generation profile under different scenarios
- Comprehensive risk assessment using the risk framework
- Investment tenure
- Liquidity profile
- Counterparty assessment, if any
- Collateral diligence, if any
- Relevant Macro factors assessment
- Exit options
- Due diligence reports of external service providers, if any
- Overall Exposure before and after the transaction
- Portfolio level risk-return analysis before and after the investment
- Leverage requirement for the transaction

The IC shall meet as and when needed to evaluate any investment opportunity presentedby the team. In case the IC needs an opinion of other external experts/consultants, the ICshall approach them and proceed as appropriate.

The IC will decide unanimously on any investment decision.

F. Risk Management

1. Risk Philosophy

Our risk management philosophy revolves around giving the highest priority to protect and conserve the value of both tangible and intangible assets of the firm. For effective risk management, it is important that processes in all the three below-mentioned areas are well laid out:

- Risk Identification
- Risk Mitigation
- Risk Control

2. Risk Framework

In order to assess any risk in detail, a comprehensive risk framework is created which shall beapplied as and when required. The parameters of the risk framework as under:

Risk	Description
Market Risk	The risk that arises from underlying equity market movement
Gap Risk	This is the Gap opening of the underlying market
Credit Risk	The potential default risk on a debt that arises fromfailure to make required payments
Counterparty Risk	The risk that the counterparty of the trade will beunable to fulfill their end of the transaction
Fraud Risk	The risk of unexpected financial or material loss as the result of fraudulent action of persons internal or external to the organisation

MTM Risk	The possibility of MTM payment on futures priceincrease
Settlement Risk	The possibility of being unable to honor exchange settlement commitments
Regulatory Risk	The risk that arises from changes in regulationswhich may adversely impact returns
Reputation risk	This risk is a threat to the good will or standing of the business and or the organisation
Volatility Risk	Volatility that arises due to underlying marketmovement
Interest Rate Risk	The potential for investment losses that result froma change in interest rates
Bad Mark Risk	The risk in the event temporary mispricing occurs atmonth-end
Concentration Risk	This is when a group of exposures move together inan unfavorable direction
Liquidity Risk	This occurs when an individual investor or businesscannot meet its short-term debt obligations
Geographical Risk	The risk to an investment in a specific geographic area. Specifically, it refers to the possibility that a natural disaster to which an area is prone will negatively impact an investment.
Political Risk	This arises when actions by the governmentadversely affect the value of a security
Systematic/ Undiversifiable Risk	The risk inherent to the entire market or marketsegment
Operational Risk	The risk of losses caused by flawed or failed processes, policies, systems or events that disrupt business operations
Business Risk	The exposure an organisation has to factor(s) toachieve its financial goals
Finance Risk	The possibility of losing money on an investment
Continuous Risk Monitoring	The process and technology used to detect compliance and risk issues associated with an organisation's financial and operational environment

G. Management information system

The summary of investment activities returns thereof and mark to market will be monitored on daily basis. This information shall be circulated to the senior management via a standard report on agreed frequency, depending on the criticality of information requirements.

H. Policy on Exposure Norms

AAFSPL has formulated its policyon investing limits based on the RBI's exposure norms. The objective is better risk management and avoidance of concentration of investment/credit risks in respect of the investments/lending to individual / group entities and to contain the impact of market, economic and other movements on the portfolio while enforcing prudent investing.

1. Exposure means and includes both funds based and non -fund based facilities, includingoff-balance sheet exposure.
2. The company shall maintain ceiling on concentration as under:
    a. Lend to any single borrower not exceeding 25% of its owned fund; and any singlegroup of borrowers not exceeding 30% of its owned fund;
    b. Invest in the shares of another company not exceeding 25% of its owned fund; the shares of a single group of companies not exceeding 30% of its owned fund;
3. Subject to the overall ceiling above, Individual product policy/ program shall specify theminimum and maximum loan quantum that may be granted under the product. These ceilings may be reviewed depending upon the business exigencies however in conformity with the product specific ceiling if any prescribed by RBI.
4. Wherever necessary, the product policy/ program will also specify the manner/ methodof computing the exposure amount / quantum of the loan that a borrower / group is eligible under that product.
5. While computing the exposures against single/ group borrowers, cash collaterals/margins held if any may be netted off.
6. The exposure in debentures if any shall be treated as lending and not as investments forthis purpose as advised by RBI through its Master circular.
7. The term "group" would have the same meaning as defined under section 370(1B) of theCompanies Act, 1956 as the "Companies under the same management".
8. Off - balance sheet exposures, if any, shall be converted into credit exposure by applyingthe respective conversion factors as may be advised by RBI from time to time.
9. Company shall consider any exemptions / relaxations as may specified in the RBI guidelines in vogue while computing the exposures against single or group borrowers.
10. The latest audited balance sheet shall be considered as the basis for ceiling calculations
11. AAFSPL shall take into cognizance the relevant & extant provisions under CompaniesAct/SEBI Laws while considering investments/inter corporate loans & advances/Loans against shares/exposures to directors & others having substantial interest
12. Refer annexure A for details of financial limits that shall be applicable for the Company from time to time. For any changes in the limits the investment head shall propose the changes in investment committee and thereafter it shall be approved by the Board of Directors.

As the Company is primarily into investment and trading activities through the recognized stock exchanges, the exposures to capital markets shall be properly classified and shall be reported to RBI on demand or pursuant to any circular, guidelines etc., issued by RBI from time to time.

I. Review

The Policy shall be reviewed quarterly by the IC or earlier as needed. Any change in the policyshall be based on unanimous decision of the IC. An Annual review of the policy shall also be done by the Board of Directors

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Annexure A

Details of risk limits

Given the nature of business the risk limits shall be reviewed regularly and monitored tightly. Following limits shall be monitored:

1. Delta risk on the option book restricted to not more than 3% of deployment.

2. Overall Stop Loss limits - 7 % of the book for any given month. Sub limits for special situation investments shall be 3% of the book for any given month.

3. All collaterals to be placed with the stock exchange and liquidity management securities shall be driven by following limits:

Nature of Investments	Limits
Government Securities (Central & State) including Treasury Bills (including Reverse Repo)	No Limit
Corporate Bonds and Non-Convertible Debentures and Market Lined Debentures	Capped at 50% of Total Assets
Commercial Papers, Certificate of Deposits, and other Money Market Instruments	Capped at 50% of Total Assets
Credit Bonds, Notes and Loans	Capped at 15% of Total Assets
Units of Debt Mutual Funds (Liquid and Overnight funds)	No limit
Unite of AIFs	Capped at 10% of Total Assets
Any other instrument (with specific approval of Investment Committee)	Capped at 10% of Total Assets