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DEEPAK PRECISION WORKS PRIVATE LIMITED

Business Scope Report

D&B D-U-N-S® NUMBER: 65-026-1246

21, Nawroji Street, Thakurdwar
Mumbai – 400 002, Maharashtra, India

Scope of the Report

- History and legal background
- Existing operations
- Management background
- Bankers letter
- Financial statements and analysis

Information Sources

Information given in this report is compiled on the basis of information obtained from the following sources:

- Annual reports
- Corporate communiques
- Information from website
- Management discussion

Methodology

Financial information from the audited annual reports of Deepak Precision Works Private Limited (hereinafter referred to as "the Company" or "DPWPL") was studied and analysed for a three-year period i.e. FY (Financial Year) 2017, FY 2018 and FY 2019. Report has been prepared based on the information available from public sources like Company's website, business trade sites, Ministry of Corporate Affairs (MCA), etc.

On 21st October 2019, Mr. Yatin Dhargalkar (Managing Director), confirmed the line of business and provided additional information in the report during management discussion.

Note: This report is prepared based on audited financials furnished by the Company. The financials are to be adopted by the shareholders in Annual General Meeting (AGM).

Date: 31st October 2019

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COMPANY AND BUSINESS OVERVIEW

Business Highlights

Line of Business (LOB): Engaged in assembly of aviation refuelling & ground support component and precision components for aviation, marine, petroleum, oil & gas and defense industry.

D&B Rating	*: B3*
Condition	*: Fair*
Tangible networth	*: INR 3,896 thousand*

- *Products manufactured includes airport ground components, oil & gas petroleum components, air land & sea defense components, fall protection components, safety component and gas detection components amongst others.*
- *Products are manufactured under the brand name "DPW".*
- *Caters to aviation, marine, petroleum, oil & gas and defense industries.*
- *Bids for government contracts as well as procure private sector orders.*
- *In FY 2019, government contracts constituted 60% whilst orders from private players contributed remaining 40% of its revenues. The bid hit ratio during the year has been 4:3.*
- *Caters to reputed clients like Abu Dhabi National Oil Company (ADNOC), Bakri International Energy Company Limited, Bharat Oman Refineries Limited, Emirates National Oil Company Limited, Emirates Petroleum Products Company L.L.C, Goa Shipyard Limited, Hindustan Aeronautics Limited, Hindustan Petroleum Corporation Limited, Indian Oil Corporation Limited, L&T Shipbuilding Limited, Maldives Airports Company Limited, Petrostar Aviation Company Limited, Reliance Industries Limited, Tata Projects Limited, Bharat Petroleum Corporation Limited and Tristar Transport LLC amongst others.*

Company Overview

DPWPL was incorporated on 8th March 2004 as a private limited company under its present name.

The Company is engaged in designing & manufacturing of industrial components, porta cabins and precision machine tools. It also provides services such as technical inspection, repair, testing and maintenance for all types of aviation tank farm, aviation refueling station, refurbishment of aircraft refueler and refueling components amongst others. Besides this it also undertakes trading of engineering and electrical components. As indicated, in FY 2019, trading business contributed 50% whilst manufacturing and services constituted remaining 50%.

The products manufactured by the Company includes airport ground component (baggage trollies, aircraft ladders, aircraft rubber wheel chokes, heliport lights and wind sock). oil & gas petroleum components (petroleum storage & transportation tanks, flowmeters, fuel dispensing hose, fuel dispensing nozzles, tire inflators and bottom loading & vapor recovery system), air land & sea defense components (wheel chokes, aircraft tire inflator, battery trolley, helicopter blade folding kit and helicopter washing rig), fall protection components (full body harness and self-retracting lifelines), safety component (air horns) and gas detection components (noise dosimeters) amongst others. As apprised, aircraft refueling components contributed significantly to its revenues in FY 2019. These products are manufactured under the brand name "DPW".

These products find application in aviation, marine, petroleum, oil & gas and defense industries. As indicated, in FY 2019, aviation and oil & gas sector contributed significantly to its revenues in FY 2019.

It caters to both the domestic and the international market. In FY 2019, the Company derived ~47.46% of its revenues from the domestic market whilst ~52.54% from the latter. As indicated, it bids for government contracts as well as procure private sector orders. In FY 2019, government contracts constituted 60% whilst orders from private players contributed remaining 40% of its revenues. The bid hit ratio during the year has been 4:3.

The Company caters to reputed clients like Abu Dhabi National Oil Company (ADNOC), Bakri International Energy Company Limited, Bharat Oman Refineries Limited, Emirates National Oil Company Limited, Emirates Petroleum Products Company L.L.C, Goa Shipyard Limited, Hindustan Aeronautics Limited, Hindustan Petroleum Corporation Limited, Indian Oil Corporation Limited, L&T Shipbuilding Limited, Maldives Airports Company Limited, Petrostar Aviation Company Limited, Reliance Industries Limited, Tata Projects Limited, Bharat Petroleum Corporation Limited and Tristar Transport LLC amongst others.

The Company has its headquarters and branch office located at Mumbai, Maharashtra.

Future Plan

As apprised, of the Company intends to form a strategic technical alliance with NM Technology S.p.A., Italy which will augment the quality of its products/ services with superior technology. Moreover, going forward, it is planning to ramp up its exports to countries like Afghanistan, Cambodia, Nepal, Philippines, Qatar, Saudi Arabia, Sri Lanka, United Arab Emirates and Vietnam amongst others.

Marketing Strategy

As apprised, it has a dedicated marketing team who works on framing marketing strategies. Exports are facilitated primarily through the agents in the respective markets. Further, with presence of more than a decade, it has established healthy relationship with its customers in India as well as abroad thereby generating repetitive business. It arranges for promotional activities through technical meetings giving its customers latest updates on products. Besides this, it attends various trade fairs/ exhibitions across the pan-India and across the globe to promote its products.

Competitors

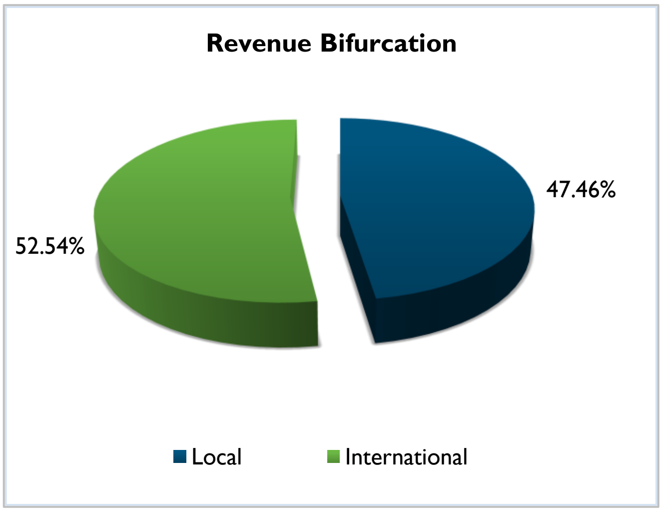
DPWPL faces competition from various organized and unorganized players in the domestic market. Some of the major competitors from the global market include Aljac Fuelling Components Limited, A. Searle & Co Limited and Global Aviation Services UK Limited amongst others. However; the Company's ability to offer plethora of products/ services, long standing relations with its existing customers paired with competitive pricing is perceived as a competitive advantage by the management.

Source: Company website and annual report 2019

Demand & Supply Information

DEMAND SIDE PROFILE

Geographic Bifurcation



Export to

Africa
Maldives
Qatar
Saudi Arabia
South Asia
United Arab Emirates

Major Customers:

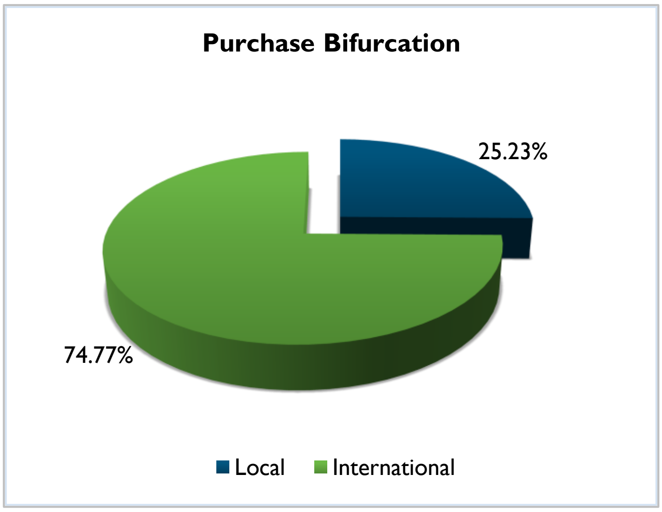
Name of the Customers	Country
Abu Dhabi National Oil Company (ADNOC)	United Arab Emirates
Bakri International Energy Company Limited	Saudi Arabia
Bharat Oman Refineries Limited	India
Emirates National Oil Company Limited	United Arab Emirates
Emirates Petroleum Products Company L.L.C	United Arab Emirates
Goa Shipyard Limited	India
Hindustan Aeronautics Limited	India
Hindustan Petroleum Corporation Limited	India
Indian Oil Corporation Limited	India
L&T Shipbuilding Limited	India
Maldives Airports Company Limited	Maldives
Petrostar Aviation Company Limited	Saudi Arabia
Reliance industries Limited	India

Tata Projects Limited	United Arab Emirates
Bharat Petroleum Corporation Limited	India
Tristar Transport LLC	Africa

Source: As provided by the management

SUPPLY SIDE PROFILE

Geographic Bifurcation



Import countries

France
Germany
People's Republic of China
Sweden
The United States of America
United Kingdom

Major Suppliers:

Name of the Suppliers	Country
Hewitt, A Husky Company	USA
Valin Corporation	USA
Gorman-Rupp Company Inc.	USA
Fluid Transfer International Limited	USA
Elaflex Gummi Ehlers GmbH	Germany
Trelleborg Industrie SAS	France
Meggitt (North Hollywood) Inc.	USA

Source: Annual report 2019

MANAGEMENT OVERVIEW

Management Profile

KEY MANAGEMENT PROFILE

Yatin Deepak Dhargalkar - Managing Director

Mr.Yatin Deepak Dhargalkar is the Managing Director of the Company. He has an experience of more than a decade in the engineering industry. He is a member of Confederation of Indian Industry (CII). He also holds directorship in other companies like Nuova Manaro Aviation Refueling Components (India) Private Limited and DPW Aviation Services Private Limited.

BOARD OF DIRECTORS

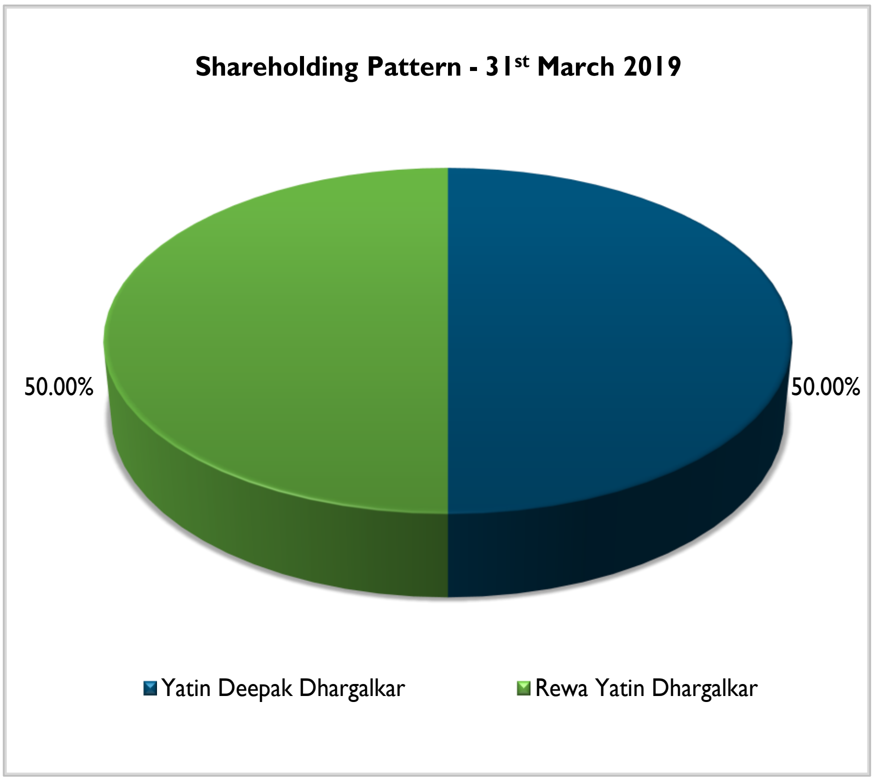
Director Identification Number (DIN)	Name of Directors	Designation/Responsibility
00841888	Yatin Deepak Dhargalkar	Managing Director
06688836	Rewa Yatin Dhargalkar	Director and Head - Business Administration

KEY EXECUTIVES

Name of Executives	Current Title
Piyush Agarwal	Chief Financial Advisor

Source: As provided by the management and Ministry of Corporate Affairs (MCA)

Shareholding Pattern



Total number of Shareholders : 2

Source: Annual report 2019

FINANCIAL OVERVIEW

Financial Highlights

- ***Modest & uneven revenue and profitability margins at operating and net level.***
- ***Leveraged capital structure coupled with dwindling interest coverage indicators***
- ***Modest liquidity profile – reasoning why it is modest.***
- ***Low tangible networth despite increase YOY.***

Key Financial Elements

(INR in thousand)

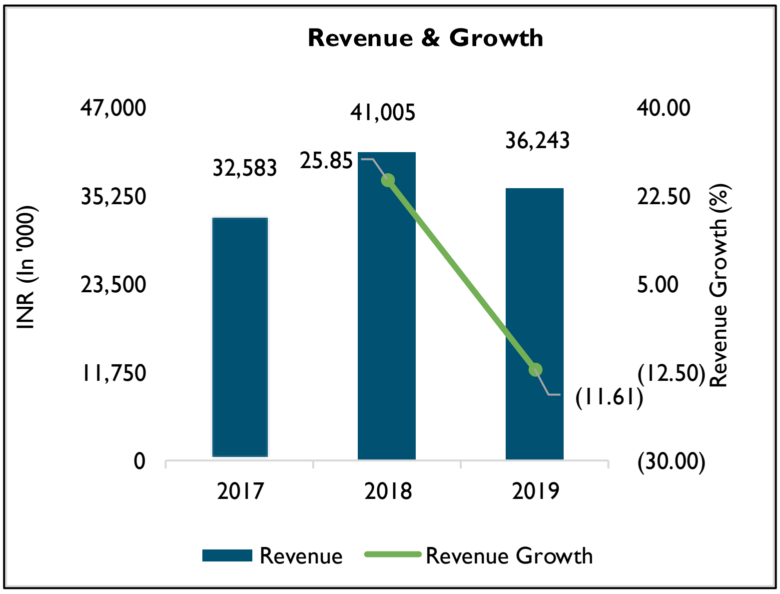
Year	FY 2017	FY 2018	FY 2019	CAGR (In %)
Number of Months	**12**	**12**	**12**	
Revenue	32,583	41,005	36,243	-
Net Profit after Tax	717	1,001	579	-
Tangible Networth	2,316	3,317	3,896	29.70
Capital Employed	9,067	11,793	13,620	22.56
Total Borrowings	6,751	8,476	9,724	20.02
Fixed Assets	7,642	6,528	5,578	-
Total Investment (Long Term)	50	25	25	-

KEY RATIOS			
Year	**FY 2017**	**FY 2018**	**FY 2019**
Gross Profit Margin (%)	16.83	27.99	26.87
Operating Profit Margin (%)	3.50	4.93	3.71
Net Profit Margin (%)	2.20	2.44	1.60
Return on Tangible Networth (%)	30.96	30.18	14.86
Return on Capital Employed (%)	15.42	17.77	12.57
Total Debt Equity Ratio (Times)	0.26	0.15	0.04
Interest Coverage Ratio (Times)	8.32	43.02	142.18
Current Ratio (Times)	0.58	1.00	1.58
Working Capital Cycle (Days)	(206)	(36)	63

Refer to annexure for details

Financial Analysis

REVENUE TREND



Revenue:

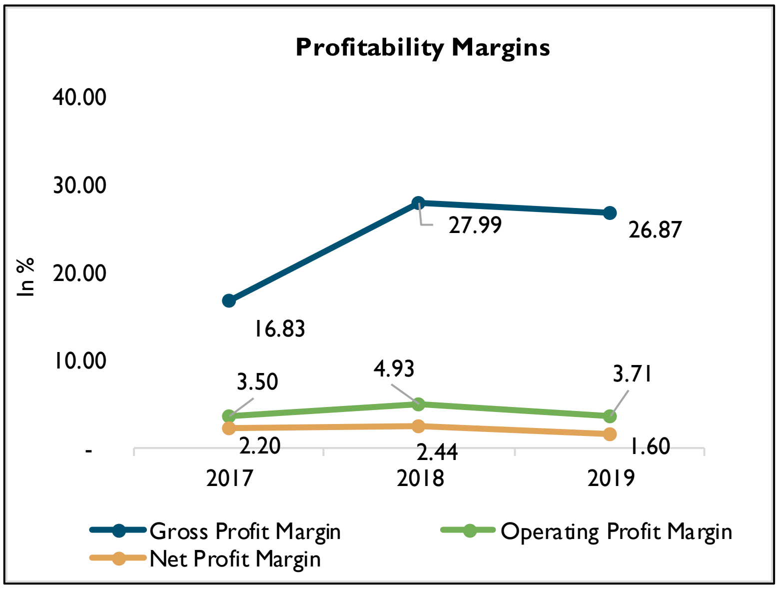
Revenue of the Company showcased an uneven trend during the review period. It augmented by 25.85% in FY 2018 however, it declined by 11.61% in FY 2019. As indicated, the topline of the Company surged in FY 2018 owing to incremental orders executed whereas dwindled in FY 2019 due to dip in orders from the domestic as well as the international market. The decline in topline was owing to slowdown in the market.

Revenue bifurcation:

Particulars	FY 2017		FY 2018		FY 2019	
	Amount (INR in thousand)	% of Total Revenue	Amount (INR in thousand)	% of Total Revenue	Amount (INR in thousand)	% of Total Revenue
Revenue of manufactured Product	32,000	98.21	40,960	99.89	36,243	100.00
Revenue of services	583	1.79	45	0.11	-	0.00
Total Revenue	**32,583**	**100.00**	**41,005**	**100.00**	**36,243**	**100.00**

As apprised, it has clocked revenues to the tune of INR 7,500 thousand as on 30th September 2019 and has orders in hand to be executed in FY 2020. Driven by this it contemplates its revenues to around INR 40,000 thousand in FY 2020.

PROFITABILITY MARGINS



(in percentage)

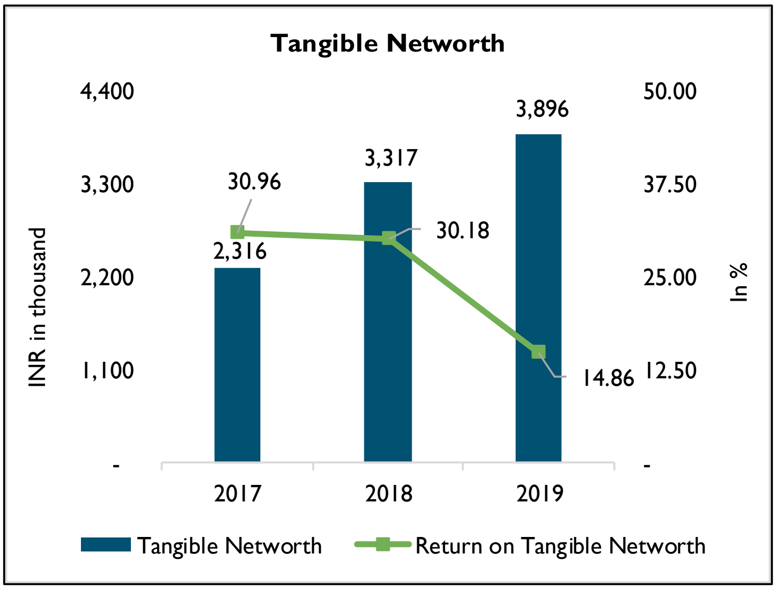
Particulars	FY 2017	FY 2018	FY 2019
Cost of Materials and Finished Goods Consumed	61.13	60.70	63.56
Salaries and Wages	13.73	7.02	7.09
Interest Expenditure	0.29	1.71	2.40
Depreciation/Amortization and Depletion	0.52	2.72	2.62
Sub Contract / Job Work Charges	4.37	2.56	1.68
Directors' Remuneration and Fees	-	7.32	9.93

The profitability margins of the Company showcased an uneven trend during the review period. It augmented at all the levels in FY 2018, as revenues scaled northwards paired with decline in cost of materials & finished goods consumed and salaries & wages dwindled as a percentage of revenues. This had drill down effect on its operating and net profit margins thereby augmenting it during the year.

However, in FY 2019 the topline declined couple with upsurge in cost of materials & finished goods consumed as a percentage of revenues, selling & distribution expenses an interest expenses as a percentage of revenues. Decline in profitability margins at the gross level had drill down effect on operating and net level.

RETURN INDICATORS

I. Tangible Networth and Return



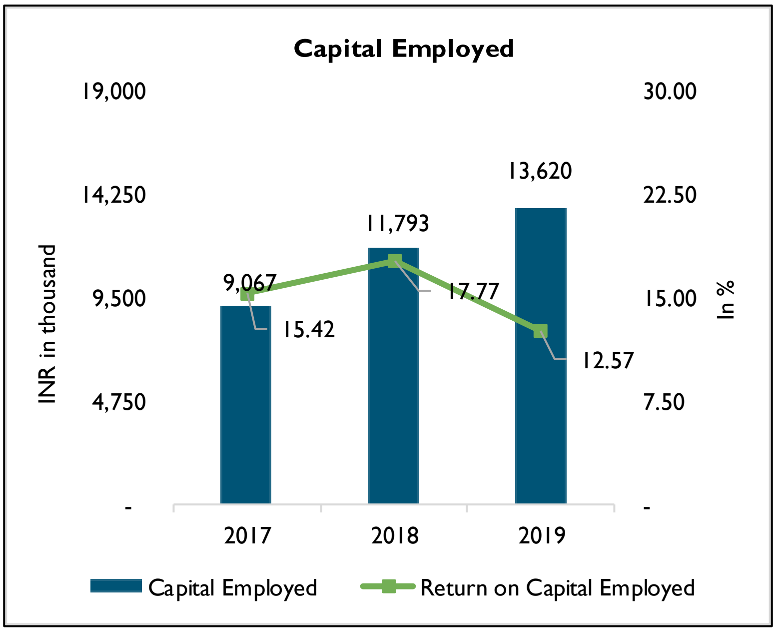
Tangible net worth includes equity capital, reserves and surplus less intangible assets, miscellaneous expenditure and accumulated losses, if any. It exhibited an increasing trend throughout the period under study as the entire profits were retained into the business.

Return on tangible Networth demonstrated declining trend during the period under study. It decreased in FY 2018 as tangible Networth increased more than that of net profits. It further declined as the profitability at the net level tapered paired with increase in tangible Networth.

(in percentage)

Particulars	FY 2018	FY 2019
Increase / (Decline) in Profit	39.61	(42.16)
Increase in Tangible Networth	43.22	17.46

II. Capital Employed and Return



Capital employed comprises tangible Networth and total debt. It showcased an increasing trend throughout the period under study. It augmented throughout the period under study as the tangible Networth as well as total borrowings surged throughout the period under study.

(In Percentage)

Particulars	FY 2017	FY 2018	FY 2019
Tangible Networth	25.54	28.13	28.60
Total Debt	74.46	71.87	71.40
Capital Employed	**100.00**	**100.00**	**100.00**

(In Percentage)

Particulars	FY 2017	FY 2018	FY 2019
Short Term Loans	23.63	29.53	43.13
Long Term Loans	76.37	70.47	56.87
Total Debt	**100.00**	**100.00**	**100.00**

(In Percentage)

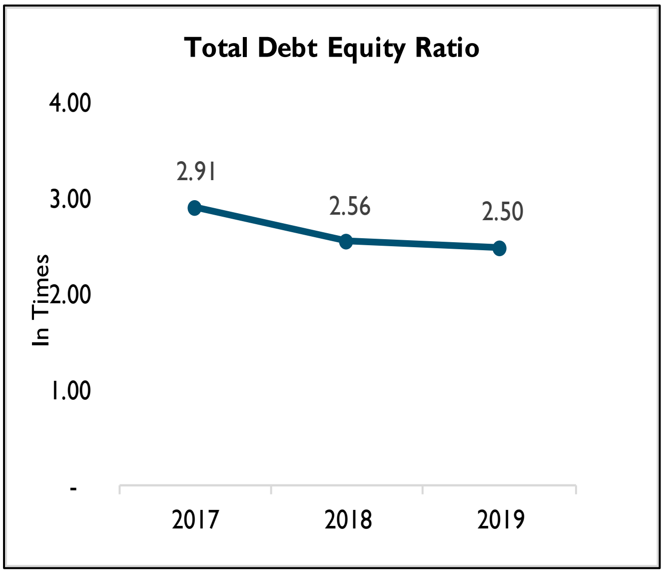
Particulars	FY 2017	FY 2018	FY 2019
Secured Loans	100.00	84.17	84.28
Unsecured Loans	0.00	15.83	15.72
Total Debt	**100.00**	**100.00**	**100.00**

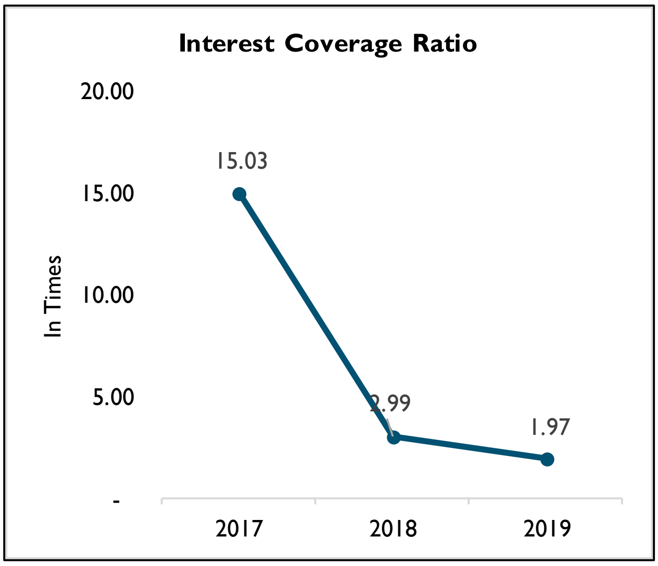
Return on capital employed displayed an uneven trend during the period under study. It surged in FY 2018, as increase in profits at the EBIT level being more than the capital employed. However, it declined in FY 2019 as the profits at the EBIT level declined paired with increase in capital employed.

(in percentage)

Particulars	FY 2018	FY 2019
Increase / (Decline) in EBIT	49.93	(18.32)
Increase in Capital Employed	30.07	15.49

CAPITAL STRUCTURE





Total Debt Equity Ratio

Total debt equity ratio is calculated as total debt divided by tangible Networth. It showcased declining trend during the review period as tangible Networth increased more than the total debt availed by the Company.

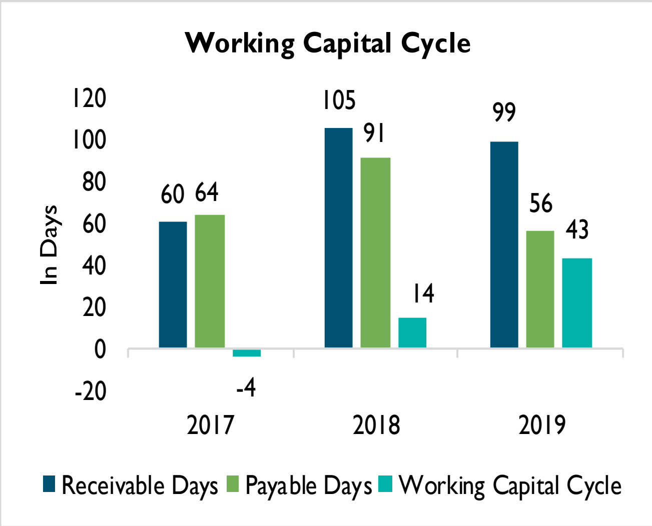
Interest Coverage Ratio

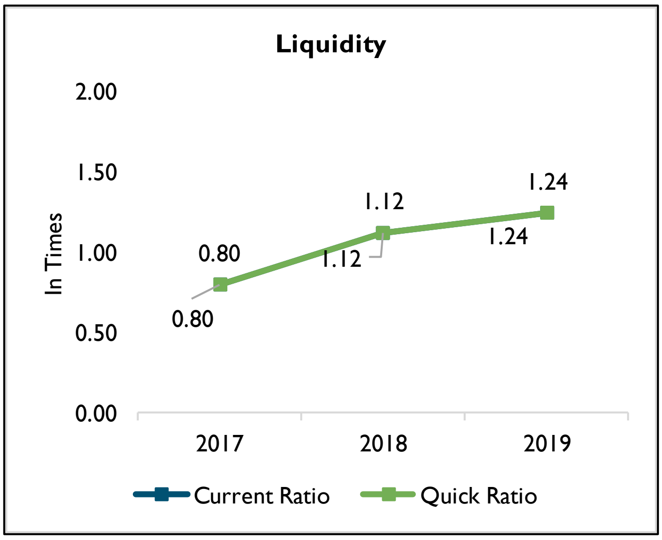
Interest coverage ratio indicates the adequacy of EBIT of the Company to cover its interest obligations. Interest coverage ratio showcased a declining trend. In FY 2018, it dwindled despite increase in profits at the EBIT level as the increase in interest burden being more than upsurge in profits at the EBIT level. It further declined in FY 2019, as profits at the EBIT level dwindled coupled with upsurge in interest expenses.

(in percentage)

Particulars	FY 2018	FY 2019
Growth in Interest Expenses	653.76	24.11
Growth/(Decline) in EBIT	49.93	(18.32)

WORKING CAPITAL MANAGEMENT

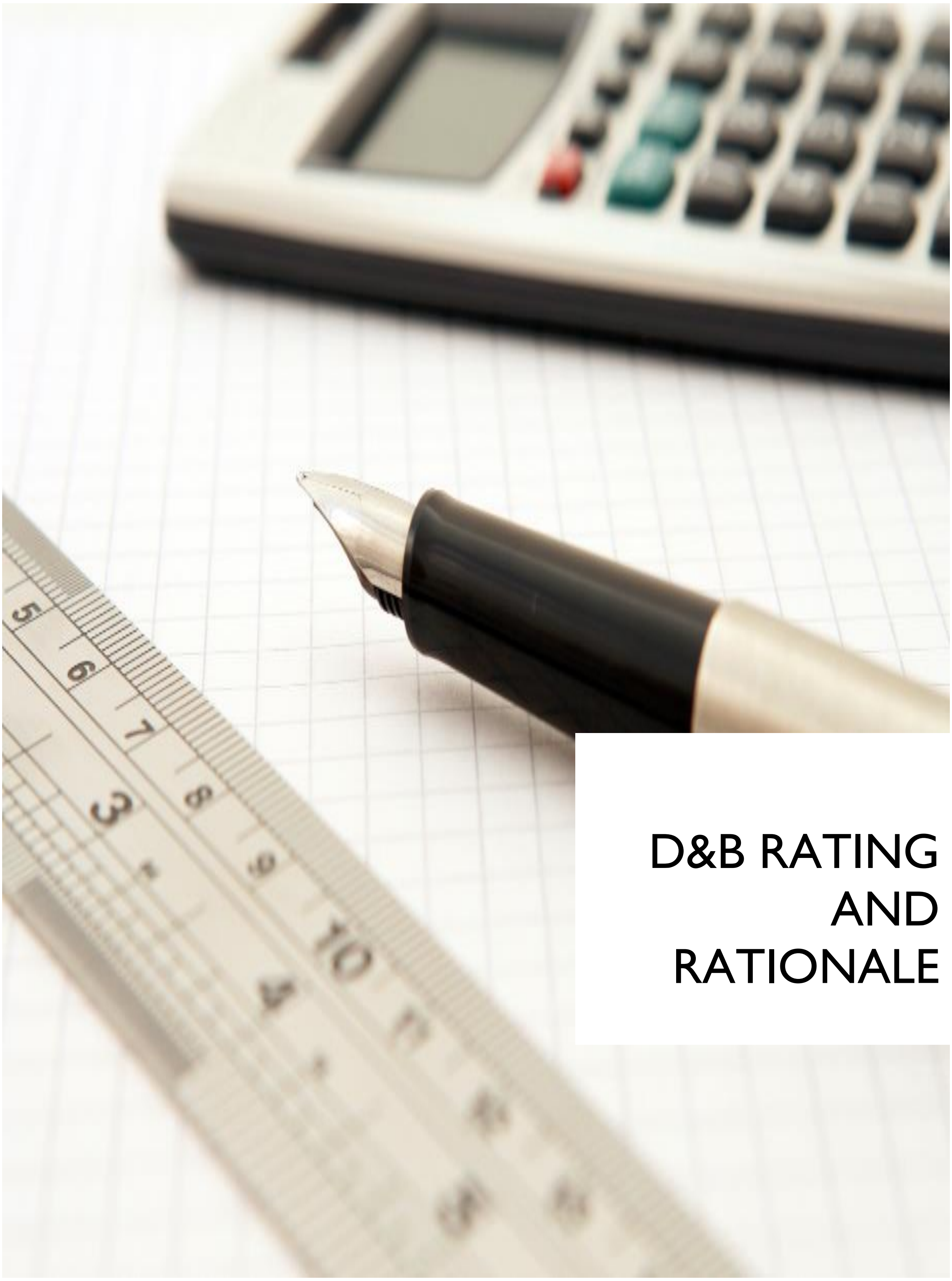




Credit terms of the Company		
	Domestic	International
Receivables Days	Credit : 45 to 60 days and Advance (from one customer)	Credit : 30 to 45 days
Payables Days	Credit : 30 days	Advance payment

The collection days of the Company hovered in the range of 60-105 days during the period under study. As apprised, it has a policy of collecting its receivables in 45-60 days. Its payable days hovered in the range of 56-91 days as against management policy of 30 days. Further, it does not maintain any inventory, as it is procured on the basis of orders in hand. This raw material procured generally take 2-3 days to get processed into the final product.

Source: As provided by the management



D&B RATING AND RATIONALE

Rating Key

D&B Rating	: B3
Condition	: Fair

D&B Indicative Risk Rating consists of two parts, the Financial Strength and the Composite Appraisal/ Condition. Financial Strength is an indication of the tangible net worth. The Composite Appraisal / Condition is linked to the level of risk and is an overall evaluation of credit worthiness. It takes into account the financial condition and several factors such as trade reference history, legal structure, management experience and any adverse listings.

D&B Indicative Risk Rating of B3 implies that the Company has a tangible networth between INR 3,875,700 and INR 7,751,399 as per latest available audited financial statements. Composite appraisal 3 indicates a fair overall status of the Company.

D&B INDICATIVE RISK RATING

FINANCIAL STRENGTH

RATING	Tangible Networth (In INR)
5A	645,950,000 and Above
4A	Between 129,190,000 & 645,949,999
3A	Between 64,595,000 & 129,189,999
2A	Between 12,919,000 & 64,594,999
A	Between 7,751,400 & 12,918,999
B	Between 3,875,700 & 7,751,399
C	Between 1,219,900 & 3,875,699
D	Between 516,760 & 1,219,899
E	Between 155,028 & 516,759
F	Between 51,676 & 155,027
G	Upto 51,675
-	Not Classified

COMPOSITE APPRAISAL

STRONG 1	Minimal risk	Proceed with transaction - offer extended terms if required
GOOD 2	Low risk	Proceed with transaction
FAIR 3	Slightly greater than average risk	Proceed with transaction but monitor closely
LIMITED 4	Significant level of risk	Review each case before extending credit and obtain more information. Take suitable assurances before extending credit, guarantees may be needed
UNDETERMINED -	Insufficient information to assign a rating	Assigned to concerns where there is insufficient information to express any opinion on the condition, financial soundness or payment history of the concern. A concern with no telephone number will also be assigned a "-" condition

Key Rating Highlights

Key Rating Strengths

- Experienced management enabling to build reputed clientele
- Wide product portfolio enabling business visibility

Key Rating Weaknesses

- Leveraged capital structure coupled with dwindling interest coverage indicators
- Modest & uneven revenue and profitability margins at operating and net level
- Modest liquidity profile
- Modest scale of operations amidst highly competitive environment
- Exposure to foreign exchange fluctuations
- Susceptibility to tender based business operations

Key Rating Sensitivities

- Ability of the Company to manage gearing levels and liquidity profile
- Ability of the Company to improve margins while scaling up of operations
- Susceptibility of the Company's revenue and profitability to tender based contract allocation

Rating Rationale

KEY RATING STRENGTHS

Experienced management enabling to build reputed clientele:

The Company is currently led by Mr. Yatin Deepak Dhargalkar, Managing Director, having experience in assembly line for aviation industry of more than a decade. This extensive experience provides solace in execution and networking capabilities of the Company which would aid in driving the growth of business. The Company was established in 2004 and has come out of its learning curve phase and established itself in the market. The key strategic decisions are taken up by the board whereas the day-to-day operational and functional aspects are taken care of by a professional set-up led by well-organized structure of second line personnel consisting of skilled & experienced personnel at various strata in the organization. Further, the Company has reputed customer base including Abu Dhabi National Oil Company (ADNOC), Bakri International Energy Company Limited, Bharat Oman Refineries Limited, Emirates National Oil Company Limited, Emirates Petroleum Products Company L.L.C, Goa Shipyard Limited, Hindustan Aeronautics Limited, Hindustan Petroleum Corporation Limited, Indian Oil Corporation Limited, L&T Shipbuilding Limited, Maldives Airports Company Limited, Petrostar Aviation Company Limited, Reliance Industries Limited, Tata Projects Limited, Bharat Petroleum Corporation Limited and Tristar Transport LLC amongst others. amongst others thereby, providing future revenue visibility.

Wide product portfolio enabling business visibility:

The Company has diversified product portfolio which includes airport ground component (baggage trollies, aircraft ladders, aircraft rubber wheel chokes, heliport lights and wind sock). oil & gas petroleum components (petroleum storage & transportation tanks, flowmeters, fuel dispensing hose, fuel dispensing nozzles, tire inflators and bottom loading & vapor recovery system), air land & sea defense components (wheel chokes, aircraft tire inflator, battery trolley, helicopter blade folding kit and helicopter washing rig), fall protection components (full body harness and self-retracting lifelines), safety component (air horns) and gas detection components (noise dosimeters) amongst others. These products are manufactured under the brand name "DPW".

As apprised, aircraft refueling components contributed significantly to its revenues in FY 2019. Moreover, the Company exports its products to Africa, Maldives, Qatar, Saudi Arabia, South Asia and United Arab Emirates amongst others and derived ~52.5% of its revenues from overseas markets. It bids for government contracts as well as procure private sector orders. In FY 2019, government contracts constituted 60% whilst orders from private players contributed remaining 40% of its revenues. The bid hit ratio during the year has been 4:3.

KEY RATING CONSTRAINTS

Leveraged capital structure coupled with dwindling interest coverage indicators:

The total debt of the Company stood at INR 9,724 thousand whereas the tangible Networth stood modest at INR 3,896 thousand thereby depicting debt equity ratio of 2.50 times in FY 2019. The long term borrowings surged in FY 2018, as it availed loans from directors / shareholders. As indicated these loans are interest free in nature and are expected to remain into the business for a longer period of time. Moreover the short term borrowings augmented throughout the review period. As indicated the working capital loans remained almost 80% utilized during the year. Further, leveraged capital structure would restrict the financial flexibility of the Company while procuring loans for funding its future expansion plans, if any. High debt would also increase the incidence of interest expenditure thereby putting pressure on the margins of the Company.

However, the Company's interest coverage ratio dwindled in FY 2019 owing to decline in profits at the EBIT level paired with surging interest costs. Higher cash outflow towards repayment of interest obligations has detoriated the financial health and put pressures on the profitability margins of the Company. Therefore, ability of the Company to manage its gearing remians critical. The gearing position of the Company is depicted in the table below:

Particulars	FY 2017	FY 2018	FY 2019
Total Debt Equity Ratio (Times)	2.91	2.56	2.50
Interest Coverage Ratio (Times)	15.03	2.99	1.97

As apprised, it does not have any major capital expenditure (capex) plans in short to medium term. Hence incremental funds might not be borrowed and focus would be towards, repaying existing debt.

Modest & uneven revenue and profitability margins at operating and net level:

The revenue of the Company depicted an uneven trend during the review period. The topline of the Company surged in FY 2018 owing to incremental orders executed whereas dwindled in FY 2019 due to dip in orders from the domestic as well as the international market. This was percolated into its profitability margins as well. As indicated, it traded engineering & electrical components during the year wherein value addition is limited. As trading business accounted to 50% of its revenues during FY 2019, the inherent nature of the trading business had implications on its profitability margins as well. The profitability margins remained strained due to high incidence of raw material costs, employee cost, general & administration expenses (majorly comprising of director's remuneration, communication expenses and lease/ rent charges) and other fixed overheads. Moreover, increase in borrowings has augmented incidence of interest costs as well throughout the review period. The return indicators followed the same suite as its profitability margins. The same is tabulated below:

Particulars	FY 2017	FY 2018	FY 2019
Gross Profit Margin (%)	16.83	27.99	26.87
Operating Profit Margin (%)	3.50	4.93	3.71
Net Profit Margin (%)	2.20	2.44	1.60
Return on Tangible Networth (%)	30.96	30.18	14.86
Return on Capital Employed (%)	15.42	17.77	12.57

As apprised, it has clocked revenue to the tune of INR 7,500 thousand as on 30th September 2019. Driven by the orders in hand it contemplates its revenues to around INR 40,000 thousand in FY 2020.

Modest liquidity profile:

Debtors as a percentage of total current assets, on an average, stood at ~68.26% during the review period, indicating a significant amount of funds being blocked thereby putting pressure on the liquidity of the Company. However, as indicated, it does not hold any inventory as it is procured on the basis of orders in hand. This raw material procured generally take 2-3 days to get processed into the final product. Despite this, it has led to an increase in working capital requirements y-o-y, subsequently resulting in an increase in incremental short-term borrowings (increased by INR 1,725 thousand in FY 2018 and INR 1,248 thousand in FY 2019). Management indicated that its working capital loans remained almost 80% utilized during the year.

Albeit, the cash flow from operating activities improved from INR (3,995) thousand in FY 2018 to INR 764 thousand in FY 2019, the liquidity profile of Company remained at modest levels as reflected from current and quick of 1.24 times each as on 31st March 2019. Furthermore, cash accruals of the Company stood at INR 1,528 thousand as against current portion of long term of debt of INR 497 thousand and cash & cash equivalence of INR 1,568 thousand as on 31st March 2019 (9.64% of the total current assets).

Particulars	FY 2017	FY 2018	FY 2019
Quick Ratio (Times)	0.80	1.12	1.24
Current Ratio (Times)	0.80	1.12	1.24

Therefore, the ability of Company to prudently manage its working capital requirements remains critical over medium term.

Modest scale of operations amidst highly competitive environment:

The Company's topline descented by 11.61% in FY 2019 vis-à-vis FY 2018 majorly owing to dip in orders from its customers. The revenues of DPWPL stood at INR 36,243 thousand and had a tangible networth of INR 3,896 thousand as on 31st March 2019. Albeit, year-on-year (y-o-y) upsurge in the tangible networth the Company, there was unevenness in its topline. Modest size implies greater susceptibility to unsystematic shocks and in comparison with its domestic and global competitors, acts as a constraining factor which restricts the Company's ability to secure big global orders and thus, in realizing the benefits of economies of scale. Going forward, further decline in scale of operations due to decrease in orders from its customers amid high competition might affect the entire business operations of the Company which in-turn would curtail DPWPL to secure benefits of economies of scale.

Further, the engineering components industry is highly fragmented in the country. It faces competition from various organized and unorganized players in the domestic market. As appraised, some of the major competitors from the global market include Aljac Fuelling Components Limited, A. Searle & Co Limited and Global Aviation Services UK Limited amongst others. Moreover, Indian engineering companies face cost disadvantage as compared to China, Korea and Taiwan, which offer low cost manufacturing base. This competition could drive down prices for the Company's products, thereby further impacting its margins. However; the Company's ability to offer plethora of products/ services, long standing relations with its existing customers paired with competitive pricing is perceived as a competitive advantage by the management.

Exposure to foreign exchange fluctuations:

The Company sourced ~74.77% of its material/product from the international market in FY 2019. However, as against this only 52.54 % of its revenue is being derived from exports, thus resulting in the risk of foreign exchange with limited benefits derived from natural hedge. Movements in exchange rates are influenced by various macro factors like demand/ supply of the foreign currency, domestic inflation, deterioration in the financial condition of other economies. Most of these factors are hard to predict leading to volatility in exchange rates. Any adverse movements in dollar rates going ahead might have undesirable ramifications on its margins. As informed by the management, it does not have hedging mechanism in place nor enters into forward contracts thereby magnifying the aforesaid risk.

(INR in thousand)

Particulars	FY 2017	FY 2018	FY 2019
Profit on foreign exchange transactions	119	54	269

Albeit, the Company has earned profit on its foreign exchange transactions throughout the review period, adopting a proper hedging mechanism for the exposure through forward covers is critical due to uncertainty involved.

Susceptibility to tender based business operations:

The operations of the Company are tender based in nature, with the contracts being awarded depending on the technical and financial qualifications. In order to secure the contracts, the Company has to bid for the projects. Even after a Company is pre-qualified to bid for projects, it will still be difficult to predict whether or when it will be awarded (or will be able to acquire) a new project, since most potential projects involve a lengthy and complex bidding and selection process that may be affected by a number of factors, including changes in existing or assumed market conditions, financing arrangements, government approvals and environmental matters. While service quality, technical capability and work experience, financial strength, health and safety records, as well as reputation and experience, are important considerations in decisions made by the authorities, price is a major factor in most bid awards. There exists an inherent risk in the tender based business operations with respect to the revenues and profitability margins.

KEY RATING SENSITIVITY FACTORS

Ability of the Company to manage gearing levels and liquidity profile:

The total debt equity ratio of the Company depicted an uneven trend during the review period and stood high at 2.50 times as on 31st March 2019. The short term borrowings augmented throughout the period under study. Further, the liquidity profile of Company also remained at modest levels as reflected in current and quick ratio of 1.24 times each as on 31st March 2019. Therefore ability of the Company to mainataing the gearing ratio and liquidty profile remains crucial.

Ability of the Company to improve margins while scaling up of operations:

The profitability margins of the Company declined and remained modest in FY 2019. Further, as indicated the trading business had surged during the year and accounted to ~50% of its total revenues. The inherent nature of the trading business wherein value addition is limited had ramifications on the profitability margins as well. Further, the scale of operation of the Company remained at modest levels during the review period as on 31st March 2019. Going forward, the ability of the Company to improve its profitability margins while scaling up operations would continue to remain critical factor.

As apprised, of the Company intends to form a strategic technical alliance with NM Technology S.p.A., Italy which will augment the quality of its products/ services with superior technology. This would enable to Company to boost its manufactured products thereby improving its profitability margins.

Susceptibility of the Company's revenue and profitability to tender based contract allocation:

As informed, the Company derived ~60% of its revenues from the government contracts in FY 2019 which are tender based in nature. These contracts are obtained via a process of bidding and the bid hit ratio during the year has been 4:3. Many large players also bid in for contracts, having larger scale of operations in comparison to the Company. Thus, the Company's operations remain susceptible to the inherent volatility to the tender based business in the industry on the back of competition.

ANNEXURES

Bank & Insurance Details

BANK

Name : Saraswat Co-operative Bank Limited

Address : Girgaum Branch
Madhukosh, S.V. Sovani Path
Girgaum
Mumbai - 400 002
Maharashtra
India

BANKER'S REPORT:

The Company deals with Saraswat Co-operative Bank Limited since March 2010.

It's availed the following facilities from Saraswat Co-operative Bank Limited on 30th September 2019:

(INR in thousand)

Name of the Facilities	Amount Sanctioned	Amount Disbursed	Amount Overdrawn
Cash term	4,300	4,300	Nil
Term Loan	5,000	5,000	Nil
Non-fund based	Nil	Nil	Nil
Total	9,300	9,300	Nil

Financial Statements

FISCAL BALANCE SHEET AS OF 31-Mar-2019 (INR in thousand)			
Accounts Receivable	9,861	Bank Loans	4,194
Loans and Advances	4,209	Accounts Payable	3,125
Cash and Bank	1,568	Due to Customers	2,986
Other Current Assets	580	Other Payables / Accruals	1,984
Deposit-Short Term	51	Current Portion of Long-Term Debt	497
		Provision for Income Tax	285
		Other Current Liabilities	2
TOTAL CURRENT ASSETS	**16,269**	**TOTAL CURRENT LIABILITIES**	**13,073**
Land and Buildings	5,460	Bank Loans	4,001
Transportation Vehicles	89	Due to Directors / Shareholders	1,529
Computers	19	Current Portion of Long-Term Debt	(497)
Furniture, Fixtures and Fitting	5		
Plant and Equipment	3		
Other Fixed Assets	1		
Office Equipment	1		
TOTAL FIXED ASSETS	**5,578**	**TOTAL NON-CURRENT LIABILITIES**	**5,033**
Shares (Unlisted)	25	Retained Earnings	3,796
TOTAL INVESTMENTS	**25**	Capital	100
Deferred Tax Asset	130		
TOTAL OTHER ASSETS	**130**	**TOTAL EQUITY**	**3,896**
TOTAL ASSETS	**22,002**	**TOTAL LIABILITIES AND EQUITY**	**22,002**

PROFIT AND LOSS ACCOUNT (Figures in INR Thousand)			
For the year ended	**31-Mar-17**	**31-Mar-18**	**31-Mar-19**
Number of months	**12**	**12**	**12**
	Fiscal	**Fiscal**	**Fiscal**
Revenue	32,583	41,005	36,243
Less: Cost of Revenue	(27,098)	(29,529)	(26,506)
Gross Profit	**5,485**	**11,476**	**9,737**
General Operating Expenses	(4,175)	(8,340)	(7,445)
Depreciation	(171)	(1,114)	(949)
Net Operating Profit after Depreciation and before Interest	**1,139**	**2,022**	**1,343**
Other Non-Operating Income			
- Dividend Income	-	-	4
`- Interest Income	112	20	76
- Profit on Foreign Exchange Transactions	119	54	269
- Miscellaneous Income	28		20
Other Non-Operating Income	**259**	**74**	**369**
Total Finance Expenses	(93)	(701)	(870)
Net Profit before Tax	**1,305**	**1,395**	**842**
Income Tax	(588)	(394)	(263)
Net Profit after Tax	**717**	**1,001**	**579**
Plus (Minus) Retained Earnings (Loss) B/F	-	1,434	3,436
Retained Earnings (Loss) C/F	1,434	3,436	4,594

KEY RATIOS			
	FY 2017	**FY 2018**	**FY 2019**
GROWTH RATIOS			
Revenue Growth (%)	-	25.85	(11.61)
Net Profit Growth (%)	-	39.61	(42.16)
LIQUIDITY RATIOS			
Quick Ratio (Times)	0.80	1.12	1.24
Current Ratio (Times)	0.80	1.12	1.24
SOLVENCY RATIOS			
Interest Coverage Ratio (Times)	15.03	2.99	1.97
Current Liabilities to Tangible Networth (%)	444.04	403.71	335.55
LEVERAGE			
Total Debt Equity Ratio (Times)	2.91	2.56	2.50
Total Liabilities to Tangible Networth (%)	622.54	552.34	464.73
Fixed Asset to Tangible Networth (%)	329.97	196.80	143.17
EFFICIENCY RATIOS			
Collection Period (Days)	60	105	99
Inventory Days	*	*	*
Accounts Payable Days	64	91	56
Working capital cycle (Days)	(4)	14	43
Assets to Revenues (%)	51.36	52.77	60.71
Revenues to Net Working Capital (Times)	(15.79)	25.16	11.34
PROFITABILITY RATIOS			
Gross Profit Margin (%)	16.83	27.99	26.87
Operating Profit Margin (%)	3.50	4.93	3.71
Net Profit Margin (%)	2.20	2.44	1.60
Return on Tangible Networth (%)	30.96	30.18	14.86
Return on Capital Employed (%)	15.42	17.77	12.57
Return on Total Assets	4.28	4.63	2.63

**The Company does not hold inventory*

Observation as per auditor's report for the year ended 31st March 2019

Basis for Opinion

Auditor conducted audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Auditor responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of auditors report. Auditor is independent of the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the Financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and auditor has Financial other ethical responsibilities in accordance with these requirements and the Code of Ethics. Auditor believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Source: Annual reports

Location & Group Details

BRANCHES

Address	Location Type
Unit No: 19, Arihant Industrial Estate, Saki Vihar Road Saki Naka, Andheri (East) Mumbai - 400 072 Maharashtra India	Branch Office

Source: As provided by the management

GROUP DETAILS

I. Group Concerns

Name of the Company	Legal Structure
Nuova Ma Na Ro Aviation Refueling Equipments (India) Private Limited	Private Limited
DPW Worldwide FZE	-

Source: Annual report 2019 and Company website

Country Risk Insight

Any firm, entity or individual who conducts cross-border transactions is exposed to country risk, the risk associated with a country's overall political, economic and commercial performance. **D&B's Country Risk Indicator (DCRI)** provides a comparative, cross-border assessment of the risk of doing business in a country. Essentially, the **DCRI** seeks to encapsulate the risk that country-wide factors pose to the predictability of export payments and investment returns over a time horizon of two years. The **DCRI** comprises a composite index of four overarching country risk categories:

a) Political Risk
b) Commercial Risk
c) Macroeconomic Risk
d) External risk

The **DCRI** is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

DCRI	Degree of Risk	Explanation
DB1	Lowest Risk	Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.
DB2	Low Risk	Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns at a future date.
DB3	Slight Risk	Enough uncertainty over expected returns to warrant close monitoring of country risk. Customers should actively manage their risk exposures.
DB4	Moderate Risk	Significant uncertainty over expected returns. Risk-averse customers are advised to protect against potential losses.
DB5	High Risk	Considerable uncertainty associated with expected returns. Businesses are advised to limit their exposure and/or select high-return transactions only.
DB6	Very High Risk	Expected returns subject to large degree of volatility. A very high expected return is required to compensate for the additional risk or the cost of hedging such risk.
DB7	Highest Risk	Returns are almost impossible to predict with any accuracy. Business infrastructure has, in effect, broken down.

The **DCRI** is supplemented with a rating trend, which encapsulates whether the risk environment in a country is improving, deteriorating or stable.

Improving	↑	Indicates that the country's overall risk profile is improving as a result of favourable political, commercial, economic and / or external developments.
Deteriorating	↓	Indicates that the country's overall risk profile is deteriorating owing to adverse political, commercial, economic and / or external developments.
Stable	↔	Indicates that the country's overall risk has not changed appreciably, even though some minor changes to its political, commercial, macro-economic, and / or external risk environment may have occurred.

Imports Origin: DCRI Trend

Imports Origin	DCRI Trend		Headline News
China	Deteriorating	↓	Negative pressures on the economy are still rising.
France	Stable	↔	The economy makes steady progress but external conditions are tough.
Germany	Deteriorating	↓	Economic contraction stokes recession fears amid weak export demand.
Sweden	Stable	↔	The economy slows as domestic headwinds increase.
United Kingdom	Deteriorating	↓	Dun & Bradstreet downgrades the UK's country risk rating as the likelihood of a no-deal Brexit rises further.
United States of America	Stable	↔	Economic growth remains in an asynchronous pattern.

Exports Destination: DCRI Trend

Exports Destination	DCRI Trend		Headline News
Qatar	Deteriorating	↓	The economy's contraction in Q2 is not yet a cause for concern.
Saudi Arabia	Deteriorating	↓	The growth forecast for 2019 and 2020 has been cut.
United Arab Emirates	Deteriorating	↓	The real estate sector slump continues.

Source: D&B Country Risk Services (September 2019)

Awards & Certifications

ISO CERTIFICATIONS

- The Company has been accredited with ISO 9001:2015 Certification by AQC middle East FZE for quality management system for manufacture of aviation fuelling & ground support component's aviation, petroleum marine precision enginqeering products & defence contractors.
  Certification Number : 191QCL57
  Issued from : 12th April 2019
  Valid till : 11th April 2022

Note: Renewed & physical copies of the certificates were not available for our verification.

OTHER CERTIFICATIONS

✓ The Company has been accredited with registration certification from Headquarter Coast Guard Region (West), Mumbai vide registration number CGR/LPC/VEN/REG/23/2017 valid from 20th October 2017 to valid till 19th October 2019.

✓ It has been accredited with registration certification for ship repairs from Coast Guard Region (West), Mumbai vide registration number RHQ(W)/SR/023/17-18 issued on 13th October 2017.

✓ It has been accredited with registration certification from naval Aircraft Servicing Development Organization, Goa vide registration number NASDO (Goa)/04/2018 issued on 3rd April 2018*.

Source: As provided by the management

Other Information

I. Standard Industry Classification (SIC) Codes

SIC Codes	Description
3728-9910	Manufactures refuelling component for use in flight, airplane

II. Registration Details

D&B D-U-N-S® NUMBER	65-026-1246
Date of incorporation	8th March 2004
Legal structure	Private Limited Company
Registration Number	U35303MH2004PTC144892
Address	21, Nawroji Street, Thakurdwar Mumbai – 400 002 Maharashtra India
Telephone	91 - 22 - 22052061 91 - 22 - 22052062
Fax	91 - 22 - 22007208
Webpage	www.dpwindia.com
Email	contact@dpwindia.com yatin.dhargalkar@ dpwindia.com
Number of employees	10
Annual General Meeting Date	29th September 2018
Name of the Auditor	Mittal Agarwal & Company, Chartered Accountants

GLOSSARY OF KEY RATIOS & COMPUTATION

KEY FINANCIAL RATIOS	FORMULAE
GROWTH RATIOS	
Revenue Growth (%)	% change in revenue in the current year over the previous year
Net Profit Growth (%)	% change in net profit in the current year over the previous year
PROFITABILITY RATIOS	
Gross Profit Margin (%)	(Net Revenue- Direct Expenditure/ Net Revenue) *100
Operating Profit Margin (%)	(Operating Profit / Net Revenue) *100
Net Profit Margin (%)	(Net Profit after Tax/ Net Revenue) *100
Return on Tangible Networth (%)	(Net Profit after Tax/ Tangible Networth) *100
Return on Average Tangible Networth (%)	(Net Profit After Tax/ Average Tangible Networth) *100
Return on Capital Employed (%)	(Earnings before Interest and Tax/ Capital Employed) *100
Return on Average Capital Employed (%)	(Earnings before Interest and Tax/ Average Capital Employed) *100
Return on Fixed Assets (%)	(Net Profit after Tax/ Fixed Assets) *100
Return on Total Assets (%)	(Net Profit after Tax/ (Current Assets + Other Tangible Assets)) * 100
LIQUIDITY RATIOS	
Quick Ratio (Times)	(Current Assets-Inventory- Prepaid Expenses -Unbilled revenue) / Current Liabilities
Current Ratio (Times)	Current Assets/ Current Liabilities
TURNOVER RATIOS	
Inventory Turnover Ratio (Times)	(Direct Expenditure - Repairs & Maintenance- Plant & Machinery) / Total Inventory
Fixed Assets Turnover Ratio (Times)	Net Revenue/ Fixed Assets
SOLVENCY RATIOS	
Long Term Debt Equity Ratio (Times)	Long Term Loans/ Tangible Networth
Total Debt Equity Ratio (Times)	Total borrowings (Long term + Short term)/ Tangible Networth
Total Liabilities to Tangible Networth (%)	{(Current Liabilities + Non-Current Liabilities) / Tangible Networth)} *100
Interest Coverage Ratio (Times)	Earnings before Interest and Tax/ Interest Expenditure
EFFICIENCY RATIOS	
Payment Period (Days)	Accounts Payable/ Total Purchases * 365

Average Payment Period (Days)	Average Accounts Payable / Total Purchases * 365
Collection Period (Days)	Accounts Receivable / Net Revenue *365
Average Collection Period (Days)	Average Accounts Receivable/ Net Revenue *365
WORKING CAPITAL RATIOS	
Current Liabilities to Tangible Networth (%)	Current Liabilities/ Tangible Networth *100
Working Capital Turnover Ratio (Times)	Net Revenue/ (Current Assets - Current Liabilities)
Inventory Days	365/ Inventory Turnover Ratio
Working Capital Cycle	Collection Period (days) + Inventory Holding (Days) - Payment Period (Days)
OTHER KEY FINANCIALTERMS	
Direct Expenditure	Cost of material consumed or traded, salaries & wages, freight inward, job work charges, royalties/technical fees and other expenses directly related to manufacturing / rendering of services.
Operating Profit	Measure of profit or loss earned / incurred after charging all direct expenses plus indirect expenses from revenue and other operating income pertaining to core business activities. Taken as EBIT – non-operating income
Net Profit	Measure of net profit or loss earned / incurred after considering all incomes and expenses including interest expenditure and taxes.
Working Capital	Current Assets- Current Liabilities
Tangible Networth	Working Capital + Other Tangible assets- Non-Current Liabilities
Capital Employed	Tangible Networth + (Long term borrowings + Short term borrowings) + Minority Interests
Total Borrowings	Long Term (secured & Unsecured) Loans + Short Term (Secured & Unsecured) Loans

CURRENCY: All amounts in this report are in local currency unless otherwise stated.

-- End of Report --