



WINPE EDGE MASTERCLASS SERIES | DEAL PROCESSES

DUE DILIGENCE CASE SCENARIOS

Scenario 1

Keshav Steel & Profiles Private Limited (KSPL) is a private limited company engaged in the business of supplying auto-grade steel sheets and specialized high strength steel parts for the automotive sector. Its customers include manufacturers and ancillaries in India and global OEMs. KSPL has a manufacturing plant in Orissa constructed on land acquired under a lease agreement with the State Government, and more than 400 employees. It has also been granted a captive coal mining lease in Orissa, however, more than 70% of KSL's raw material is imported from Ukraine. In 2019 KSL had raised significant debt for its planned capital expansion to target increase in production for exports. In 2020, the pandemic negatively impacted the auto sector due to reduced consumer demand in India, and many OEM customers drastically reduced their purchase orders from KSPL. KSPL faced disruptions in the supply chain and delayed its supply obligations to key customers. During the pandemic KSPL offered its employees reduced pay for 3 months and later reduced the workforce by 8%. Post pandemic the auto sector has seen a sharp increase in consumer demand and growth in exports is expected due to government incentives. KSPL believes it can benefit from the increase in demand for local steel, import substitution and global supply chain rebalancing. It is seeking a foreign investor for a significant investment. Investor is a private equity fund evaluating the potential purchase of 30% equity in KSPL from its promoter.



Risk considerations	
<ul style="list-style-type: none"> - Supply chain uncertainty, long term contracts - Past litigation/claims for contract breach - Government dealings for land acquisition and mining license - Related party transactions 	<ul style="list-style-type: none"> - Rights of lenders, risk of default - Labour retention, risk of claims, other labour compliances - Enhanced environmental compliances

Scenario 2

Maverick Food Private Limited (MFL) is a start-up set up in 2018 by founders Kishore Kumar and Ashok Kumar. MFL operates a cloud kitchen catering business under the brand name "Maverick Meals". Its USP is providing packed tiffin meals to corporates in Delhi NCR who cater lunch to their employees in the office canteens. MFL used to enter direct contracts with its corporate clients for monthly bulk orders. During the pandemic and lockdown in Delhi NCR, most of MFL's corporate customers stopped operating from office with their employees "working from home". As a result, the corporate customer orders were cancelled or suspended indefinitely. Since then, MFL has diversified its business to providing tiffin style meals to non-corporate customers through its newly launched mobile application. To cut costs, such meals are served in plastic boxes. MFL has tied up with a payment solutions provider and a logistics partner for deliveries. It has also engaged a contract staffing agency to recruit "gig worker" chefs and kitchen staff on a need basis at its cloud kitchen locations. MFL has a 2-member board consisting of the founders, who are also the CFO and CTO of MFL. The founders are supported by a 5-member team of key executives and 50 staff; however, the women workforce is merely 10 percent. MFL has received seed funding from friends and family of the two founders and is looking for Series A funding from venture capital funds.

Risk considerations	
<ul style="list-style-type: none"> - Regulatory framework for business - Technology integrity, protection, and Data security - Organisation structure and governance - Employee welfare and protection 	<ul style="list-style-type: none"> - Health and safety - Diversity, equal opportunity of work - Environmental concerns