

MIRA INFORM REPORT

| | |
|----------------------|------------|
| Report No. : | 518395 |
| Report Date : | 10.07.2018 |

IDENTIFICATION DETAILS

| | |
|--------------------------------|---|
| Name : | DIESEL & MOTOR ENGINEERING PLC |
| Registered Office : | PO Box. 339, # 65, Jetawana Road, Colombo 14 |
| Country : | Sri Lanka |
| Financials (as on) : | 31.03.2018 |
| Date of Incorporation : | 01.10.1945 |
| Com. Reg. No.: | PVS 249 PBS |
| Legal Form : | Public Limited Liability Company quoted on the Colombo Stock Exchange (In operation) |
| Line of Business : | Subject is engaged in Import, Sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, Agri machinery, power tools, import & sale of vehicle spares, components, accessories, providing lighting solutions and storage systems. |
| No. of Employees : | Approximately 1,850 |

RATING & COMMENTS

(Mira Inform has adopted New Rating mechanism w.e.f. 23rd January 2017)

MIRA's Rating :

A

| Credit Rating | Explanation | Rating Comments |
|---------------|-----------------|---|
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |

| | |
|----------------------------|---------------|
| Status : | Good |
| Payment Behaviour : | No Complaints |
| Litigation : | Clear |

NOTES :

Any query related to this report can be made on e-mail : infodept@mirainform.com while quoting report number, name and date.

ECGC Country Risk Classification List

| Country Name | Previous Rating (31.12.2017) | Current Rating (01.04.2018) |
|--------------|---------------------------------|--------------------------------|
| Sri Lanka | A2 | A2 |

| Risk Category | ECGC Classification |
|----------------------|---------------------|
| Insignificant | A1 |
| Low Risk | A2 |
| Moderately Low Risk | B1 |
| Moderate Risk | B2 |
| Moderately High Risk | C1 |
| High Risk | C2 |
| Very High Risk | D |

SRI LANKA - ECONOMIC OVERVIEW

Sri Lanka is attempting to sustain economic growth while maintaining macroeconomic stability under the IMF program it began in 2016. The government's high debt payments and bloated civil service, which have contributed to historically high budget deficits, remain a concern. Government debt is about 79% of GDP and remains among the highest of the emerging markets. In the coming years, Sri Lanka will need to balance its elevated debt repayment schedule with its need to maintain adequate foreign exchange reserves.

In May 2016, Sri Lanka regained its preferential trade status under the European Union's Generalized System of Preferences Plus (GSP+), enabling many of its firms to export products, including its top export garments, tax free to the EU. In 2017, Parliament passed a new Inland Revenue Act in an effort to increase tax collection and broaden the tax base in response to recommendations made under its IMF program. In November 2017, the Financial Action Task Force on money laundering and terrorist financing listed Sri Lanka as non-compliant, but reported subsequently that Sri Lanka had made good progress in implementing an action plan to address deficiencies.

Tourism has experienced strong growth in the years since the resolution of the government's 26-year conflict with the Liberation Tigers of Tamil Eelam. In 2017, the government promulgated plans to transform the country into a knowledge-based, export-oriented Indian Ocean hub by 2025.

Source : CIA

GENERAL DETAILS

- a. Name of Subject of Inquiry : **DIESEL & MOTOR ENGINEERING PLC**
- b. Legal Form & Status : **Public Limited Liability Company quoted on the Colombo Stock Exchange (In operation)**
- c. Chairman/MD : **Asoka Ranjith Pandithage**
- d. Primary Line of Business : **Import, Sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, Agri machinery, power tools, import & sale of vehicle spares, components, accessories, providing lighting solutions and storage systems.**
- e. Head office :
**PO Box. 339,
65, Jetawana Road,
Colombo 14.
Sri Lanka**

**Tel. No: (00 94 11) 244 9797 / 233 8883
Fax No: (00 94 11) 244 9080
Email: dimo@dimolanka.com**
- f. Employees : **Approximately 1,850**

COMPANY DETAILS

Registration and Shareholder Details

- a. Registration No : **PVS 249 PBS**
Date of Registration : **01st October 1945**
- b. Re-registration No : **PQ 146**
Date of Re-registration : **09th May 2008**
- c. Registered Office : **# 65, Jetawana Road, Colombo 14. Sri Lanka**

DIESEL & MOTOR ENGINEERING PLC - 518395

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| | | | | |
|----|--|---|--|---------------------|
| d. | Board of Directors As at 31 st March 2018 | : | Asoka Ranjith Pandithage | ChairmanMD |
| | | | Aruna Ganlath Pandithage | Director/CEO |
| | | | Ajit Nimal Algama | Director |
| | | | Sarath Chandrasiri Algama | Director |
| | | | Dr. Harsha Cabral | Director |
| | | | B. Charindra Suresh A. P. Gooneratne | Director/CFO |
| | | | Abeykumar Mohan Pandithage | Director |
| | | | Ranjeevan Seevaratnam | Director |
| | | | A.N. Ranasinghe | Director |
| | | | M.V. Bandara | Director |
| | | | A.D.B. Talwatte | Director |
| | | | P.K.W. Mahendra | Director |
| | | | S.R.W.M.C. Ranawana | Director |
| e. | Stated Capital | : | Rs. 425,297,000.00 | |
| | Total Equity | | Rs. 10,623,165,000.00 | |
| | Number of Shares | : | 8,876,437 | |
| f. | Nominal Value of Share | : | Not declared in terms of Companies Act #7 of 2007 | |

***REGISTRATION AND SHAREHOLDER DETAILS
CONT***

| | | | | |
|----|--|---|---------------------------------|------------------|
| g. | Major Share Holders As at 31 st March 2018 (Total No. of Shareholders:1858) | : | Major Share Holders | No. of Shares |
| | Individuals: 1,775 | | A. R. Pandithage | 991,233 |
| | Institutions: 83 | | Employees Provident Fund | 1,765,260 |
| | | | J. C. Pandithage (Ms) | 938,502 |

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| | | |
|-----------|--|---|
| | A & G Investments (Pvt) Ltd | 640,380 |
| | S. C. Algama | 567,786 |
| | A.G. Pandithage | 525,814 |
| | Almar Trading Co (Pvt) Ltd | 279,945 |
| | A.N. Algama | 213,739 |
| | T.G.H. Peries | 193,069 |
| | A.M. Pandithage | 182,319 |
| h. | Auditors | : KPMG Ford, Rhodes, Thornton & Co # 32A, Sir Mohamed Macan Markar Mawatha, Colombo 13 |
| i. | Company Secretaries | : B.C.S.A.P. Gooneratne, FCA;MBA "The Nest", # 14, Uyana Lane, Uyana, Moratuwa |
| j. | Bankers | : Hatton National Bank , Commercial Bank , National Development Bank, Nation Trust Bank, People's Bank Hong Kong Shanghai Banking Corporation, Sampath Bank Bank of Ceylon , DFCC Bank plc |
| k. | Tax Payer Identification Number (TIN) No. | : 104002498 |
| | Issuing Authority | : Dept. Of Inland Revenue |

FINANCIAL DETAILS

Most recent available Financial Information

**STATEMENT OF PROFIT OR LOSS AND
 OTHER COMPREHENSIVE INCOME**

BEING THE CHANGE

Contact
 Strategy
 Enterprise Governance
 Value Creation
 Financial Statements
 Supplementary Information

Change is valuable ▶

| For the year ended 31st March | Note | Group | | | Company | | |
|---|--------|-----------------|-----------------|-------------|-----------------|-----------------|-------------|
| | | 2018 Rs.'000 | 2017 Rs.'000 | Change % | 2018 Rs.'000 | 2017 Rs.'000 | Change % |
| Revenue | 4.1 | 43,686,158 | 44,492,990 | (2) | 40,710,842 | 41,563,559 | (2) |
| Sales taxes | | (250,797) | (221,157) | 13 | (2,02,458) | (174,697) | 16 |
| Net revenue | | 43,435,361 | 44,271,833 | (2) | 40,508,384 | 41,388,862 | (2) |
| Cost of sales | | (36,344,317) | (36,874,214) | (1) | (34,277,501) | (34,802,483) | (2) |
| Gross profit | | 7,091,044 | 7,397,619 | (4) | 6,230,883 | 6,586,379 | (5) |
| Other operating income | 4.3 | 187,847 | 173,403 | 8 | 151,033 | 269,638 | (44) |
| Selling and distribution expenses | | (865,623) | (1,029,667) | (16) | (788,824) | (941,391) | (16) |
| Administrative expenses | | (4,775,941) | (4,848,990) | (2) | (4,257,115) | (4,358,235) | (2) |
| Operating profit | | 1,637,327 | 1,692,365 | (3) | 1,335,977 | 1,556,391 | (14) |
| Finance income | | 171,368 | 207,210 | (17) | 154,264 | 198,389 | (22) |
| Finance costs | | (1,058,109) | (856,183) | 24 | (1,038,623) | (848,378) | 22 |
| Net finance costs | 4.4 | (886,741) | (648,973) | 37 | (884,359) | (649,989) | 36 |
| Share of loss of equity-accounted investee, net of tax | 4.12.5 | (2,980) | - | 100 | (2,980) | - | 100 |
| Profit before tax | 4.5 | 747,606 | 1,043,392 | (28) | 448,638 | 906,402 | (51) |
| Income tax expense | 4.6 | (193,391) | (386,601) | (50) | (123,733) | (313,370) | (61) |
| Profit for the year | | 554,215 | 656,791 | (16) | 324,905 | 593,032 | (45) |
| Other Comprehensive Income | | | | | | | |
| Items that will not be reclassified to profit or loss | | | | | | | |
| Remeasurement of defined benefit obligation | 4.23.1 | 38,019 | (40,795) | 193 | 27,013 | (39,213) | 169 |
| Deferred tax charge on actuarial (gain)/loss | 4.24.2 | (10,646) | 11,423 | (193) | (7,564) | 10,980 | (169) |
| Revaluation of freehold land | 4.9 | 2,780,984 | - | 100 | 2,780,984 | - | 100 |
| Deferred tax charge on Land revaluation | 4.24.2 | (1,571,993) | - | (100) | (1,571,993) | - | (100) |
| | | 1,236,364 | (29,372) | 4,309 | 1,228,440 | (28,233) | 4,451 |
| Items that are or may be reclassified subsequently to profit or loss | | | | | | | |
| Foreign operations- foreign currency translation differences | | 1,892 | - | 100 | (85) | - | 100 |
| Net fair value gains on remeasuring financial assets-available-for-sale | | 371 | 542 | (32) | 363 | 544 | 33 |
| | | 2,263 | 542 | (318) | 278 | 544 | (49) |
| Total other comprehensive income, net of tax | | 1,238,627 | (28,830) | 4,396 | 1,228,718 | (27,689) | 4,538 |
| Total comprehensive income for the year | | 1,792,842 | 627,961 | 186 | 1,553,623 | 565,343 | 175 |
| Profit attributable to: | | | | | | | |
| Owners of the Company | | 550,308 | 656,791 | (16) | 324,905 | 593,032 | (45) |
| Non-controlling interest | | 3,907 | - | 100 | - | - | - |
| Total comprehensive income attributable to: | | 554,215 | 656,791 | (16) | 324,905 | 593,032 | (45) |
| Owners of the Company | | 1,788,745 | 627,961 | 185 | 1,553,623 | 565,343 | 175 |
| Non-controlling interest | | 4,097 | - | 100 | - | - | - |
| | | 1,792,842 | 627,961 | 186 | 1,553,623 | 565,343 | 175 |
| Basic and diluted earnings per share - (Rs.) | 4.7 | 62.00 | 73.99 | | 36.60 | 66.81 | |

Figures in brackets indicate deductions.

Information and Notes in sections 1,2,3,4 and 5 appearing from page 152 to 205 form an integral part of these Financial Statements.

**FINANCIAL DETAILS - Most recent available Financial Information (Cont/d...)
 Statement of Financial Position**

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STATEMENT OF FINANCIAL POSITION

| As at 31st March | Note | Group | | Company | |
|--|--------|-------------------|-------------------|-------------------|-------------------|
| | | 2018 Rs.'000 | 2017 Rs.'000 | 2018 Rs.'000 | 2017 Rs.'000 |
| Assets | | | | | |
| Property, plant and equipment | 4.9 | 11,452,530 | 8,299,035 | 11,128,864 | 8,298,487 |
| Lease rentals paid in advance | 4.10 | 20,116 | 22,321 | 20,116 | 22,321 |
| Intangible assets and goodwill | 4.11 | 120,219 | 24,051 | 17,226 | 24,044 |
| Investments in subsidiaries | 4.12.1 | - | - | 428,591 | 23,289 |
| Equity-accounted investee | 4.12.5 | 55,098 | - | 55,098 | - |
| Financial assets-available-for-sale | 4.14 | 8,296 | 7,825 | 8,267 | 7,804 |
| Deferred tax assets | 4.24 | 24,906 | 4,034 | - | - |
| Total non-current assets | | 11,681,165 | 8,357,266 | 11,658,162 | 8,375,945 |
| Inventories | 4.15 | 9,561,038 | 8,941,711 | 8,915,805 | 8,574,365 |
| Trade and other receivables | 4.16 | 5,997,911 | 4,276,799 | 4,466,471 | 3,243,893 |
| Other current assets | 4.17 | 934,878 | 89,540 | 613,467 | 824,446 |
| Current tax asset | 4.29 | 121,978 | 6,393 | 118,510 | - |
| Amounts due from related parties | 4.30.1 | 9,860 | - | 100,842 | 79,319 |
| Cash and cash equivalents | 4.18 | 265,532 | 281,799 | 191,538 | 269,556 |
| Total current assets | | 16,891,197 | 14,402,152 | 14,406,633 | 12,991,579 |
| Total assets | | 28,572,362 | 22,759,418 | 26,064,795 | 21,367,524 |
| Equity and Liabilities | | | | | |
| Equity | | | | | |
| Stated capital | 4.19 | 425,297 | 425,297 | 425,297 | 425,297 |
| Other components of equity | 4.21 | 4,050,962 | 2,839,898 | 4,049,154 | 2,839,885 |
| Revenue reserves | 4.20 | 7,299,899 | 6,899,747 | 6,148,714 | 5,981,889 |
| Equity attributable to owners of the Company | | 11,776,158 | 10,164,942 | 10,623,165 | 9,247,071 |
| Non-controlling interests | 4.12.4 | 304,203 | - | - | - |
| Total equity | | 12,080,361 | 10,164,942 | 10,623,165 | 9,247,071 |
| Long-term borrowings | 4.22.1 | 312,505 | 590,100 | 310,140 | 590,100 |
| Finance lease liabilities | 4.22.3 | 5,683 | - | - | - |
| Employee benefits | 4.23 | 661,415 | 626,158 | 609,222 | 583,912 |
| Deferred tax liabilities | 4.24 | 1,864,432 | 247,606 | 1,861,319 | 247,606 |
| Deferred income | 4.25 | 35,662 | 47,762 | 22,813 | 8,758 |
| Total non-current liabilities | | 2,879,697 | 1,511,626 | 2,803,494 | 1,430,376 |
| Trade payables | 4.27 | 2,974,203 | 1,681,344 | 2,495,928 | 1,563,181 |
| Other current liabilities | 4.28 | 1,493,000 | 1,302,970 | 1,105,165 | 1,091,120 |
| Current portion of long-term borrowings | 4.22.1 | 282,350 | 319,425 | 281,236 | 319,425 |
| Current portion of finance lease liabilities | 4.22.3 | 11,333 | - | - | - |
| Current portion deferred income | 4.25 | 225,581 | 288,133 | 94,983 | 99,861 |
| Current tax liability | 4.29 | 31,769 | 18,286 | - | 14,990 |
| Short-term borrowings | 4.22.2 | 8,594,068 | 7,472,692 | 8,161,883 | 7,406,351 |
| Amounts due to related parties | 4.30.1 | - | - | 498,941 | 195,149 |
| Total current liabilities | | 13,612,304 | 11,082,850 | 12,638,136 | 10,690,077 |
| Total liabilities | | 16,492,001 | 12,594,476 | 15,441,630 | 12,120,453 |
| Total equity and liabilities | | 28,572,362 | 22,759,418 | 26,064,795 | 21,367,524 |
| Net assets per share | | 1,326.68 | 1,145.16 | 1,196.78 | 1,041.75 |

Certification

These Financial Statements as set out on pages 152 to 205 have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



E.D.C. Kodituwakku

General Manager - Finance and Controlling

Member - Group Management Committee

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Signed for and on behalf of the Board,



A.R. Pandithage

Chairman/Managing Director



B.C.S.A.P. Gooneratne

Director/Chief Financial Officer

30th May 2018

Colombo

Information and Notes in sections 1.2.3.4 and 5 appearing from page 152 to 205 form an integral part of these Financial Statements.

CURRENT INVESTIGATION



History.

The Subject Company, **DIESEL & MOTOR ENGINEERING PLC (DIMO)** is a Public Limited Liability Company (quoted at the Colombo Stock Exchange) incorporated on **1st October 1945** under the registration number **PVS 249 PBS** and the company was re-registered on **09th May 2008** under the registration number **PQ 146 in terms of Companies Act #7 of 2007.**

Location.

The Subject Company Head Office is located at client given address **# 65, Jetawana Road, Colombo 14.**

Operational Details.

General

The subject company's primary line of business is **Import, Sale and repair of passenger vehicles, commercial vehicles, material handling machinery, construction machinery, Agri machinery, power tools, import & sale of vehicle spares, components, accessories, providing lighting solutions and storage systems.**

The subject company has started business by selling and repairing automobiles, but today they perform multi various business in the field of selling construction equipment, agricultural machinery, Engine Overhaul & Machining, Lighting Solution, Storage systems and Material handling, Total Tyre Solutions, Auto Components & Accessories, Fluid Management, Medical Engineering, Tools & Equipment, Bosch Service Center, Industrial & Railway Solutions, Power Solutions lighting system, Total Marine Solutions

The subject company's subsidiaries are as follows:

Dimo (Pvt) Ltd
Dimo Travels (Pvt) Ltd
Dimo Industries (Pvt) Ltd

Companies in the DIMO Group:

DIMO Lanka Company Limited
United DIMO Lanka Company Limited
DIMO Industries (Private) Limited
DIMO Travels (Private) Limited
PlantChem (Private) Limited
Plant Seeds (Private) Limited
DIMO (Private) Limited
DIMO Coastline (Private) Limited

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Products

DIMO is involved in a number of automobile related fields and represents many prestigious principals - **Mercedes-Benz, TATA, MTU, Bosch, Komatsu, Siemens, Michelin, Osram and Mahindra & Mahindra** to name a few.

Importing Country

The major suppliers of the subject company are from **CHINA, DENMARK, FRANCE, GERMANY, INDIA, JAPAN, MALAYSIA, PAKISTAN, SINGAPORE** and **USA**.

Employees

Approximately 1,850.

- 1,850 employees as at the year-end including
 - 119 employees of subsidiaries acquired during the year
 - 717 employees with academic and professional qualifications
 - 119 employees identified as high potentials in the leadership pipeline
 - 183 females employees that brings in diversity

Trade references

It is a well known Company in Sri Lanka with a large clientele.

Awards Received by the company:



SA 8000:2014 accredited labour practices

ISO 14001:2015 accredited environmental management system

ISO 9001:2015 accredited quality management system, featuring excellent and consistent processes

In 2016 and 2017:

General Award- Great Place to Work- 2013-2017

Award for Innovation in Recruitment

Awards for Excellence in Leadership Development

Overall Winner at ACCA Sustainability Reporting Awards-2016, 2017

CA Sri Lanka Annual Report Awards

Recognized Multiple Times at Great Place to Work 2016 Awards

Champion Mercedes-Benz Service Excellence Award – South East Asia

Tata Motors One World – Annual Distributors Awards 2016

Number 1 Product Promotion at Claas Dealer Get-Together Event in India- 2017

DATS Awarded German Vet Certification-2017

Dimo 800 Receives Presidential Recognition- 2017

The Overall Gold Winner in CMA Excellence in Integrated Reporting Awards 2017

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ADVERSE DATA MONITORING: subject Company

Dishonoured Checks

No Record Found

Debt

See Below details of Mortgage bonds

Litigation

No Record Found

Performance Defaults

No Record Found

**ADVERSE LOCAL MEDIA COVERAGE / ADVERSE
FILING HISTORY**

No Record Found

Litigation

No computerised data bases exist to make checks whether the partners or the company has any legal action or lawsuit initiated against any of them but informal (but not in-depth) checks do not indicate any such cases in the public knowledge.

Mortgaged Bonds of the subject

Records found at the Registrar of Companies indicating details of Mortgage Bonds:

Charges

| Date and Description of Instrument Creating Charges | Amount Rs. | Name, Address or Persons Entitled to the Charges |
|--|----------------------|---|
| 22/12/1973 Bond No. 38757 | 3,750,000.00 | Commercial Bank of Ceylon PLC Foreign Branch, Colombo 01 |
| 28/02/1980 Bond No. 80124 | 8,250,000.00 | Commercial Bank of Ceylon PLC Foreign Branch, Colombo 01 |
| 19/10/1986 - Bond No. 86/FC/35 | 11,000,000.00 | Commercial Bank of Ceylon PLC Foreign Branch, Colombo 01 |
| 20/02/1990 - Bond No. FC/90/08 | 42,000,000.00 | Commercial Bank of Ceylon PLC Foreign Branch, Colombo 01 |

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| | | |
|------------------------------------|-----------------------|---|
| 17/07/1992 - Bond No. FC/92/51 | 15,000,000.00 | Commercial Bank of Ceylon PLC Foreign Branch, Colombo 01 |
| 10/12/1993 - Bond No. FC/93/185 | 15,000,000.00 | Commercial Bank of Ceylon PLC Foreign Branch, Colombo 01 |
| 25/02/2008 Bond No. 1003 | 400,000,000.00 | Commercial Bank of Ceylon PLC Foreign Branch, Colombo 01 |
| Total | 495,000,000.00 | Commercial Bank of Ceylon PLC Foreign Branch, Colombo 01 |

SUMMARY

No computerised data bases exist to make checks whether the partners or the company has any legal action or lawsuit initiated against any of them but informal (but not in-depth) checks do not indicate any such cases in the public knowledge.

INFORMATION DECLINED

Management non-cooperative (Tel No.:009411-2449797/2338883)

FOREIGN EXCHANGE RATES

| Currency | Unit | Indian Rupees |
|-----------|------|---------------|
| US Dollar | 1 | INR 68.65 |
| UK Pound | 1 | INR 91.46 |
| Euro | 1 | INR 80.78 |
| LKR | 1 | INR 0.43 |

Note : Above are approximate rates obtained from sources believed to be correct

INFORMATION DETAILS

| | |
|----------------------------------|-----|
| Information Gathered by : | GAY |
| Analysis Done by : | NIY |
| Report Prepared by : | DNS |

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RATING EXPLANATIONS

| Credit Rating | Explanation | Rating Comments |
|---------------|------------------|--|
| A++ | Minimum Risk | Business dealings permissible with minimum risk of default |
| A+ | Low Risk | Business dealings permissible with low risk of default |
| A | Acceptable Risk | Business dealings permissible with moderate risk of default |
| B | Medium Risk | Business dealings permissible on a regular monitoring basis |
| C | Medium High Risk | Business dealings permissible preferably on secured basis |
| D | High Risk | Business dealing not recommended or on secured terms only |
| NB | New Business | No recommendation can be done due to business in infancy stage |
| NT | No Trace | No recommendation can be done as the business is not traceable |

NB is stated where there is insufficient information to facilitate rating. However, it is not to be considered as unfavourable.

This score serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors are as follows:

- Financial condition covering various ratios
- Company background and operations size
- Promoters / Management background
- Payment record
- Litigation against the subject
- Industry scenario / competitor analysis
- Supplier / Customer / Banker review (wherever available)