

Due Diligence

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What is Due Diligence?

Steps involved in Due Diligence

Financial Due Diligence

- Financial Statement Review
- Quality of earnings
- Cash Flow analysis
- Debt and Liabilities
- Tax Matters
- Internal Controls
- Working Capital
- Financial Projections
- Key Financial Ratios

Technical Due Diligence

- Technology Infrastructure
- Product Review
- Compliance with licenses and consents
- Code Quality
- Security
- Compliance

Real Estate Due Diligence

- Title Review
- Zoning and Land Use
- Legal Compliance
- Tenant and lease review
- Survey and Property boundaries

Forensic Due Diligence

- Financial Statement Analysis
- Fraud detection
- Internal Control assessment
- Transaction review
- Document examination
- Asset verification
- Background Checks
- Compliance Review

Legal Due Diligence

- Corporate Structure and Governance
- Material Agreement
- Intellectual Property
- Litigation and disputes
- Regulatory Compliance
- Employment and Labor
- Real Estate
- Financial Indebtedness
- Insurance

Different Formats of Due Diligence

1. Detailed Due Diligence report
2. Limited or issue based due diligence report

Aims of Due Diligence

- Identification of potential risk
- Identification of condition precedent of the transaction
- Identification of condition subsequent of the transaction
- Identification of specific representation and warranty of the transaction
- Identification specific indemnity of the transaction
- Negotiation of valuation

How to complete due diligence within time framework?

Steps involved in Making Due Diligence Report

- Preparing requisition list
- Accessing the data room
- Steps involved after receiving the documents in the VDR
- Conduct during ongoing diligence

Chapters in Due Diligence Report

- Executive Summary
- Corporate Chapter
- Financial Indebtedness Chapter
- Real Estate
- Material Contracts
- Approval and consents
- Intellectual property rights
- Litigation
- Insurance

Corporate Chapter

- Overview of the company compliance with Companies Act and Related rules
- Existence of company-incorporation certificate and charter documents
- Statutory Filings
- Shareholding structure
- Present Shareholders, issue and transfer of shares
- Contingent liabilities
- Shareholder agreements and joint venture agreements
- Transfer Restrictions-Rights of first refusal/Right of first offer
- KMP's Auditors and Directors
- Statutory Committees
- Minutes of the meetings
- Annual Reports and Returns
- Statutory Registers

Financial Indebtedness Chapter

- Loans taken by the company
- Loan Documents and covenants
- Repayment consistency
- Notices from financial Institutions
- Charges and securities
- Issuance of debentures by the target company

Material Contracts Chapter

- Types of Material Contracts
 - Supply of raw material
 - Distribution agreement
 - Franchise agreement
 - Purchase orders
 - Services agreement
 - Sales contracts
 - Licensing agreement
 - Advertisement/sponsorship agreement
 - Utility supply agreement
- Identify key contracts
- Assess financial impact
- Review compliance and regulatory issues
- Analyze terms and conditions
- Identify risks and liabilities
- Determine continuity and transferability

Real Estate Chapter

- Details of immovable property
- Underlying documents
- Any restrictive clauses
- Identification of agreements with related parties

Other Chapters

- Insurance Chapter
- Intellectual Property Chapter
- Litigation Chapter
- Approvals and Consent Chapter
 - Employee and HR-standard terms and conditions of employment
 - Consents and licenses under labor law and industrial laws
 - Environmental consents
 - Department consents if any.
 - Regulatory consents if any.

Thank you