

How to become DD Ready?

By:
CA Shubham Garg



What is *Due Diligence?*



What is Due Diligence?

A process to validate:

- Financial Health (not only performance) of the Company
- Business Model & its relevance
- Regulatory, Tax & Compliance Review
- Best Social & Ethical Practices

Why is it important?

Investor Satisfaction

- Validation of claims made by the target
- Stakeholder profiles & commitment
- Regulatory, Tax & Compliance Check
- Financial Performance & Valuation

Components of Due Diligence

Financial

Tax

Secretarial

Financial Due Diligence



Books of
Accounts



Cash flow
Ratios/Bank
Statements



Payroll & Team
Cost



Projections
& Fund
Utilization



Debtors &
Creditors



Borrowings
- Internal
& External

Tax Due Diligence



Income Tax



TDS



GST



PF

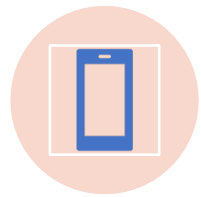


ESI



Litigations

Secretarial Due Diligence



Annual ROC Filings



Loan from Directors



Secretarial Records



Previous Rounds of Funding



Authorised Capital



Cap Table

Why DD fails? – Common Reasons

Compliance is
Expensive

Lack of
Professionalism

No Pro Activity

Unsynchronized
Data

Lack of
Processes

Over ride of
Controls



How can CA's play a vital role?

Strong Analytical Skills

Vast Knowledge Bank

Trained to Execute & Manage

Mergers / Valuations

Expertise in Internal Controls

Efficient Review Mechanism

Helping the Founders as vCFO

Business Ratios

Working Capital Cycles

Digital Data Banks

Clean Slate

Overall Shield



How to perform a Pre DD?



Digital Data Bank



Periodic Internal Control Review



Segregation of Duties



Secretarial Checks



Tax Checks



Accounting Checks

The Opportunity

— Startup Ecosystem in India

India has emerged as the 3rd largest ecosystem for startups globally with over 1,12,718 DPIIT-recognized startups across 763 districts of the country as of 03rd October 2023. India ranks #2nd in innovation quality with top positions in the quality of scientific publications and the quality of its universities among middle-income economies. The innovation in India is not just limited to certain sectors. We have recognized startups solving problems in 56 diverse industrial sectors with 13% from IT services, 9% healthcare and life sciences, 7% education, 5% agriculture and 5% food & beverages.

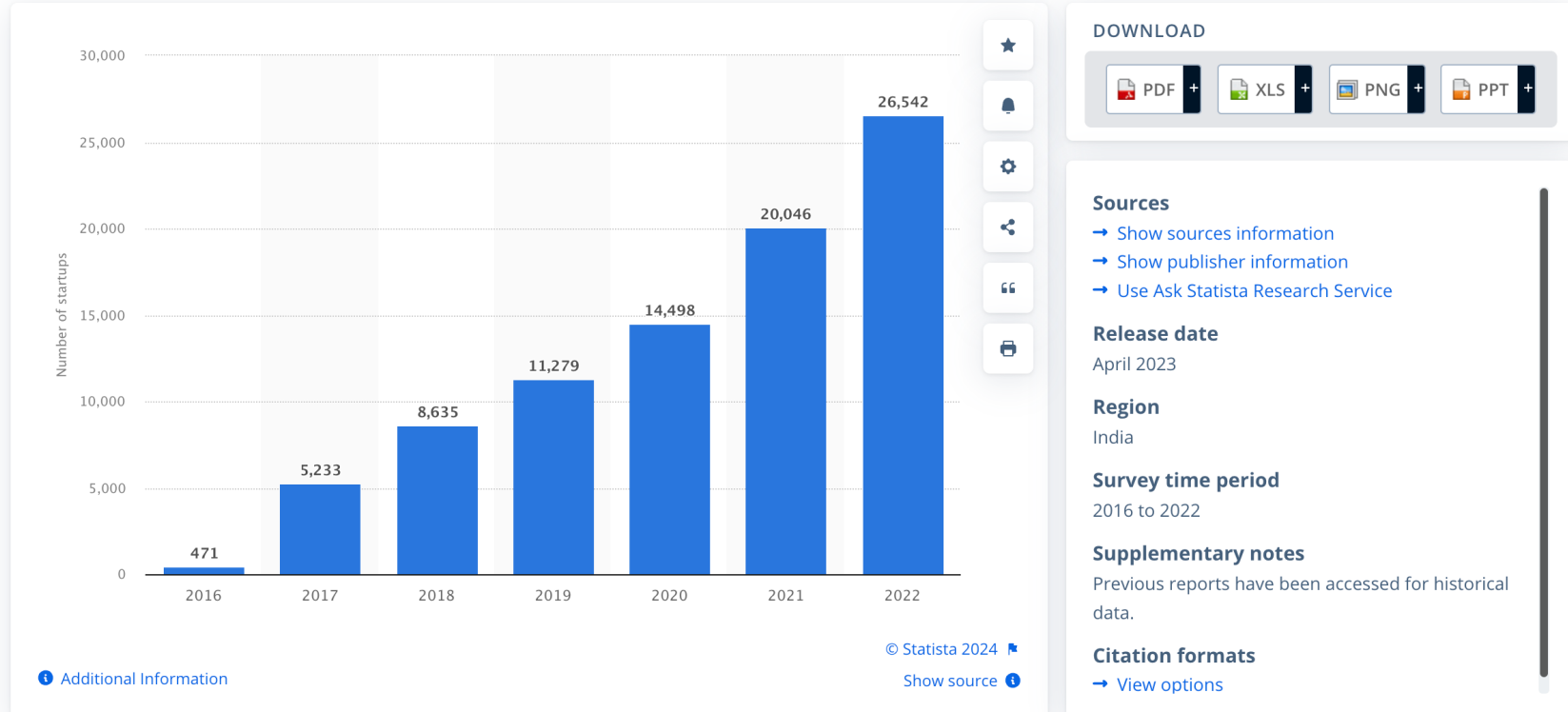
Indian Startup Ecosystem has seen exponential growth in past few years (2015-2022):

- 15X increase in the total funding of startups
- 9X increase in the number of investors
- 7X increase in the number of incubators



The Opportunity

Number of government recognized startups from financial year 2016 to 2022



The Opportunity

Today, 1 out every 10 unicorns globally have been born in India. Overall, 2021 is experienced an exponential boom when it comes to startups entering the unicorn club. This is a testament to the vibrant startup ecosystem present in India.

2022 has witnessed the birth of 22 unicorns with a total valuation of \$ 29.2 Bn while only one unicorn has emerged in 2023 with a valuation of \$ 1.4 Bn (as of 03rd October 2023).



what you focus on,
is what multiplies.

KYLIE FRANCIS



Thank You!

CA Shubham Garg

Email: gargshubham.ca@gmail.com

Ph: +91 813 051 0551