

Due Diligence Checklist for Buying a Company

IN INDIA

1. LEGAL DUE DILIGENCE

Corporate Structure & Formation

- ☐ Certificate of Incorporation and Memorandum & Articles of Association
- ☐ Certificate of Commencement of Business (for public companies)
- ☐ Board resolutions since incorporation
- ☐ Register of Members, Directors, and Charges
- ☐ Share certificates and transfer deeds
- ☐ Shareholder agreements and voting agreements
- ☐ Organizational chart and subsidiary structure
- ☐ Power of Attorney documents
- ☐ Company name availability and trademark clearances

Regulatory Filings & Compliance

- ☐ Annual returns filed with Registrar of Companies (ROC)
- ☐ Form MGT-7 (Annual Return) for last 3 years
- ☐ Form AOC-4 (Financial Statements) filings
- ☐ DIR-3 KYC compliance for all directors
- ☐ Board meeting minutes and resolutions

- ☐ Audit committee meetings and compliance certificates
- ☐ Independent director declarations
- ☐ Related party transaction approvals

Material Contracts & Agreements

- ☐ Customer agreements and contracts
- ☐ Supplier and vendor agreements
- ☐ Distribution and dealership agreements
- ☐ Joint venture and partnership agreements
- ☐ Licensing agreements (inbound and outbound)
- ☐ Technology transfer agreements
- ☐ Non-disclosure and confidentiality agreements
- ☐ Service level agreements
- ☐ Franchise agreements (if applicable)

Litigation & Disputes

- ☐ Pending litigation against the company
- ☐ Criminal proceedings against directors/key personnel
- ☐ Arbitration proceedings and awards
- ☐ Consumer forum complaints
- ☐ Regulatory enforcement actions
- ☐ Investigation by regulatory bodies
- ☐ Insurance claims and settlements
- ☐ Contingent liabilities from legal proceedings



Property & Assets

- ☐ Real estate ownership documents and title deeds
- ☐ Property tax receipts and municipal approvals
- ☐ Lease agreements for premises
- ☐ Environmental clearances for properties
- ☐ Fire safety and building approvals
- ☐ Mortgage and charge documents
- ☐ Asset purchase and sale agreements
- ☐ Security interest registrations

2. FINANCIAL DUE DILIGENCE

Financial Statements & Accounting

- ☐ Audited financial statements for last 5 years
- ☐ Management accounts for current year
- ☐ Interim financial statements
- ☐ Statutory auditor reports and management letters
- ☐ Notes to financial statements
- ☐ Accounting policies and changes
- ☐ Related party transactions disclosure
- ☐ Segment-wise financial information



Revenue & Profitability Analysis

- ☐ Revenue recognition policies and practices
- ☐ Customer concentration and revenue mix
- ☐ Recurring vs. non-recurring revenue streams
- ☐ Gross margin analysis by product/service lines
- ☐ EBITDA reconciliation and adjustments
- ☐ Working capital trends and analysis
- ☐ Cash conversion cycle analysis
- ☐ Price escalation mechanisms with customers

Assets & Liabilities

- ☐ Fixed assets register and depreciation schedules
- ☐ Inventory aging and obsolescence analysis
- ☐ Accounts receivable aging and bad debt provisions
- ☐ Cash and bank reconciliations
- ☐ Investment portfolio and fair value assessments
- ☐ Debt schedules and repayment terms
- ☐ Contingent liabilities and off-balance sheet items
- ☐ Provisions and accruals analysis

Assets & Liabilities

- ☐ Historical cash flow statements
- ☐ Management projections and business plans
- ☐ Capital expenditure plans and requirements
- ☐ Debt service coverage ratios
- ☐ Liquidity position and credit facilities
- ☐ Financial covenants compliance
- ☐ Dividend payment history and policy
- ☐ Return on capital employed analysis



3. TAX DUE DILIGENCE

Direct Tax Compliance

- ☐ Income tax returns for last 5 years
- ☐ Tax audit reports under Section 44AB
- ☐ Assessment orders and appellate decisions
- ☐ Transfer pricing documentation and compliance
- ☐ Advance pricing agreements (APAs)
- ☐ Tax deducted at source (TDS) compliance
- ☐ Tax collected at source (TCS) compliance
- ☐ Minimum alternate tax (MAT) credit utilization

Indirect Tax Compliance

- ☐ GST registration certificates and returns
- ☐ GST audit reports and reconciliation statements
- ☐ Input tax credit reconciliation and reversals
- ☐ E-way bill compliance for goods movement
- ☐ GST assessments and notices
- ☐ Customs duty compliance (if applicable)
- ☐ Service tax compliance for pre-GST period
- ☐ VAT/CST compliance for pre-GST period

Tax Litigation & Disputes

- ☐ Pending tax assessments and appeals
- ☐ Tax demands and recovery proceedings
- ☐ Penalty proceedings and orders
- ☐ Search and seizure operations (if any)



- ☐ Settlement commission applications
- ☐ Tax refunds pending with authorities
- ☐ Advance tax payments and interest calculations
- ☐ Tax provisioning adequacy in financial statements

Withholding & International Taxation

- ☐ Permanent establishment issues for foreign transactions
- ☐ Double taxation avoidance agreement benefits claimed
- ☐ Equalisation levy compliance
- ☐ Foreign exchange management act (FEMA) compliance
- ☐ Overseas direct investment (ODI) approvals
- ☐ Foreign direct investment (FDI) compliance
- ☐ Transfer pricing benchmarking studies
- ☐ Country-by-country reporting compliance

4. HR & EMPLOYEE DUE DILIGENCE

Employment Structure & Policies

- ☐ Organization chart and employee hierarchy
- ☐ HR policy manual and employee handbook
- ☐ Employment contracts and appointment letters
- ☐ Job descriptions and grade structures
- ☐ Performance management system
- ☐ Code of conduct and disciplinary policies
- ☐ Leave and attendance policies
- ☐ Training and development programs

Compensation & Benefits

- ☐ Salary structures and pay scales
- ☐ Variable pay and incentive schemes
- ☐ Employee stock option plans (ESOP)
- ☐ Provident fund and gratuity compliance
- ☐ Employee state insurance (ESI) compliance
- ☐ Medical insurance and wellness programs
- ☐ Leave encashment and bonus payments
- ☐ Professional tax and other statutory deductions

Key Personnel & Retention

- ☐ Key management personnel profiles and contracts
- ☐ Non-compete and confidentiality agreements
- ☐ Retention and succession planning
- ☐ Employee turnover analysis and exit interviews
- ☐ Pending labor disputes and grievances
- ☐ Trade union agreements (if applicable)
- ☐ Retrenchment and VRS schemes
- ☐ Background verification processes



5. REGULATORY & COMPLIANCE DUE DILIGENCE

Industry-Specific Licenses

- ☐ Manufacturing licenses (if applicable)
- ☐ Trading licenses and permits
- ☐ Professional service licenses
- ☐ Export-import (EXIM) licenses and codes
- ☐ Special economic zone (SEZ) approvals
- ☐ Foreign trade policy compliance
- ☐ Sectoral regulatory approvals (banking, insurance, telecom, etc.)
- ☐ Drug licenses (for pharmaceutical companies)

Environmental & Safety Compliance

- ☐ Environmental clearances and consent orders
- ☐ Pollution control board approvals
- ☐ Water and air pollution compliance certificates
- ☐ Hazardous waste management compliance
- ☐ Environmental impact assessment reports
- ☐ Occupational health and safety compliance
- ☐ Factory inspectorate approvals
- ☐ Fire safety certificates and NOCs

Data Protection & Privacy

- ☐ Personal data protection compliance framework
- ☐ Information technology policies and procedures
- ☐ Cybersecurity policies and incident response plans
- ☐ Data localization compliance requirements



- ☐ Software licensing agreements and compliance
- ☐ IT system security audits and certifications
- ☐ Business continuity and disaster recovery plans
- ☐ Third-party vendor data processing agreements

Competition & Anti-Trust

- ☐ Competition Commission of India (CCI) filings
- ☐ Anti-competitive practices compliance
- ☐ Merger notification requirements
- ☐ Price fixing and cartelization risks
- ☐ Abuse of dominant position analysis
- ☐ Vertical agreements compliance
- ☐ Fair trade practices compliance
- ☐ Consumer protection law compliance

6. COMMERCIAL DUE DILIGENCE

Market Position & Competition

- ☐ Market share analysis and positioning
- ☐ Competitive landscape assessment
- ☐ Key competitors' strategies and market presence
- ☐ Industry growth trends and forecasts
- ☐ Market entry barriers and switching costs
- ☐ Technology disruption risks and opportunities
- ☐ Regulatory changes impact on industry
- ☐ Economic sensitivity analysis



Customer Base & Relationships

- ☐ Customer segmentation and profiling
- ☐ Top customer concentration and dependency
- ☐ Customer acquisition and retention metrics
- ☐ Customer lifetime value analysis
- ☐ Contract terms and renewal rates
- ☐ Customer satisfaction surveys and feedback
- ☐ Pricing strategies and elasticity
- ☐ Cross-selling and upselling opportunities

Products & Services Portfolio

- ☐ Product/service mix and lifecycle stage
- ☐ Revenue contribution by product lines
- ☐ New product development pipeline
- ☐ Research and development investments
- ☐ Technology roadmap and innovation strategy
- ☐ Quality certifications and standards compliance
- ☐ Brand recognition and market reputation
- ☐ Distribution channels and reach

Supply Chain & Vendors

- ☐ Key supplier relationships and dependencies
- ☐ Supply chain resilience and risk assessment
- ☐ Vendor concentration and switching costs
- ☐ Raw material price volatility and hedging
- ☐ Quality control and supplier audits
- ☐ Local vs. imported materials mix
- ☐ Logistics and transportation arrangements
- ☐ Inventory management and optimization



7. OPERATIONAL DUE DILIGENCE

Operations & Production

- ☐ Manufacturing processes and capacity utilization
- ☐ Production planning and scheduling systems
- ☐ Quality management systems and certifications
- ☐ Equipment condition and maintenance schedules
- ☐ Technology platforms and enterprise systems
- ☐ Operational efficiency metrics and KPIs
- ☐ Lean manufacturing and process improvement initiatives
- ☐ Scalability and expansion capabilities

Information Technology & Systems

- ☐ IT infrastructure and architecture assessment
- ☐ Enterprise resource planning (ERP) systems
- ☐ Data management and analytics capabilities
- ☐ Cybersecurity framework and controls
- ☐ Cloud migration strategy and implementation
- ☐ Digital transformation initiatives
- ☐ System integration and interoperability
- ☐ IT support and maintenance arrangements

Financial Controls & Processes

- ☐ Internal control systems and procedures
- ☐ Financial reporting and management information systems
- ☐ Budget planning and variance analysis processes
- ☐ Cash management and treasury operations



- ☐ Procurement and purchase approval processes
- ☐ Revenue recognition and billing systems
- ☐ Expense management and approval workflows
- ☐ Risk management framework and policies

Facilities & Infrastructure

- ☐ Physical facilities condition and maintenance
- ☐ Capacity utilization and expansion plans
- ☐ Utilities management and costs
- ☐ Security systems and access controls
- ☐ Lease agreements and rental obligations
- ☐ Insurance coverage for facilities and equipment
- ☐ Disaster recovery and business continuity plans
- ☐ Environmental health and safety compliance

8. INTELLECTUAL PROPERTY DUE DILIGENCE

Patents & Proprietary Technology

- ☐ Patent portfolio and prosecution status
- ☐ Patent licensing agreements (inbound and outbound)
- ☐ Patent infringement risks and litigation
- ☐ Trade secrets and know-how protection
- ☐ Research and development documentation
- ☐ Technology licensing agreements
- ☐ Joint development agreements
- ☐ Patent assignment and ownership documents



Trademarks & Branding

- ☐ Registered trademarks and service marks
- ☐ Trademark opposition and cancellation proceedings
- ☐ Brand licensing and franchising agreements
- ☐ Domain name registrations and disputes
- ☐ Trade dress and packaging designs
- ☐ Advertising and marketing materials ownership
- ☐ Social media handles and digital assets
- ☐ Co-branding and partnership agreements

Copyrights & Creative Assets

- ☐ Copyright registrations and ownership
- ☐ Software code ownership and licensing
- ☐ Content creation and ownership policies
- ☐ Work-for-hire agreements with creators
- ☐ Third-party content licensing agreements
- ☐ Website terms of use and privacy policies
- ☐ Marketing collateral and creative asset ownership
- ☐ Open source software usage and compliance

IP Strategy & Protection

- ☐ IP protection strategy and budget
- ☐ IP enforcement history and policies
- ☐ Employee invention assignment agreements
- ☐ Contractor and vendor IP assignment clauses
- ☐ IP insurance coverage and claims history
- ☐ IP valuation and monetization strategies
- ☐ IP portfolio management systems

