

Each finding must have:

- Relevant **facts & background**
  - Law/Standard** not followed
  - Mitigating factors**
  - PU response**
  - Reviewer's **conclusion**
- ⇒ Discussions to be **noted & signed** by both parties

## REPORTING

- Preliminary Report** → within **3 weeks** of assignment
  - Include **non-compliance** observations
  - Final Report** → within **3 months** of assignment
- ⇒ Reviewer to submit:
- Undertaking to **submit reports on time**
  - Clean report** → All systems in place
  - Qualified report** if:
    - Non-compliance with **ICSI Guidelines/Manuals**
    - Legal/regulatory violations**
    - Weak QC system
    - No staff training**

## COST OF QUALITY REVIEW

- ₹ **25,000** per QR assignment (if report is satisfactory)
- QR bears local cost (within **50 km**)
- If >50 km → **Travel, stay reimbursed** as per QRB policy

## CASE STUDIES – FACT-BASED Q&A

- Mr. X reviewed ABC & Co.**  
→ Mr. A, B, or C **cannot** review Mr. X (conflict)
- Client requests PR of XYZ** →  
→ **Client bears cost** of Peer Review
- Mr. R refuses PR assignment** →  
✓ Allowed with valid reason:
  - Conflict of interest**
  - Illness**
  - Prior connection**
  - Pre-occupied
- Mr. Q takes help** →  
✓ One **Qualified Assistant** (ICSI Member + trained) allowed
- Misuse of PU info by Reviewer** →  
→ Breach of **Confidentiality Agreement** → **Disciplinary action**

## PRACTICAL Q&A

- Can PU choose Peer Reviewer?**  
✓ Yes – Choose 1 from **panel of 3+** sent by Board
- PU dissatisfied with PRB order** → Remedy?  
✓ **Appeal to Central Council of ICSI**
- Is empanelled Reviewer guaranteed assignments?**  
✗ No – Depends on **experience, PU choice, etc.**
- Will Reviewer incur liability?**  
✗ Only under **CS Act, 1980 & Code of Conduct**
- Is PU's info kept confidential?**  
✓ Yes – **Bound by confidentiality**  
✗ Misuse → **ICSI disciplinary action**

Let me know if you want this in **Anki flashcard, PDF**, or want to move to **next topic**.

Here are the **exam-focused bullet point notes** on **Due Diligence** using your preferred format:

## REGULATORY FRAMEWORK

- SEBI (SAST) Regulations, 2011**
- Foreign Contribution (Regulation) Act, 2010**
- Foreign Contribution (Regulation) Rules, 2011**
- FEMA, 1999**

## DUE DILIGENCE: OVERVIEW

- Investigation** before: Acquisition / Restructuring / Fund Raising
- Purpose:** Evaluate, interpret, communicate facts → informed decision
- Process:** Gather info → Financial + Operational data → Interpret → Risk Assessment
- Types:** Pre / During / Post Transaction
- Covers:** Past, Present, Predictable Future

## KEY POINTS

- ✓ Not limited to accounting
- ✓ Business-oriented analysis
- ✓ Industry-specific
- ✓ Evaluates significant affairs & business models
- ✓ Past, present, future aspects
- ✓ Identifies risk + opportunity

## OBJECTIVES

- ✓ Identify significant matters
- ✓ Discover threats/weaknesses
- ✓ Good investment decision
- ✓ Transactional security
- ✓ Boost shareholder confidence
- ✓ Collect material info
- ✓ SWOT analysis

## PROCESS & CHALLENGES

- SWOT**, valuation, risks
- Challenge:** Availability of info
- Confidentiality:** Buyer signs NDA
- Conditional Agreement** → Clause for Due Diligence
- Outcome:** Reaffirm / Renegotiate / Cancel Deal

## WHEN REQUIRED

- JV | Partnerships | M&A**
- Strategic Alliance | Outsourcing**
- Tech/Product Licensing | VC Investment**
- Public Issue**

## CASE STUDIES

- Daimler-Benz – Chrysler (\$36B)**
  - Failure** due to poor due diligence → Chrysler devalued to \$7.4B
- BoA – Countrywide (\$2B → \$50B)**
  - BoA acquired **bad debt**; poor financial due diligence
- Etisalat – Swan Telecom (\$900M)**
  - Failed to detect** 2G licence impropriety → Financial loss, legal exit
- Nirma – Shree Rama Multi Tech**
  - Invoked pledge** → Open offer triggered
  - Tried to withdraw offer citing **siphoning**
  - SC upheld SEBI** → Nirma must complete open offer
  - Held: Nirma **failed due diligence**
- Amazon – MX Player**
  - 2023: Due diligence by Big 4 firm

- **Valuation mismatch:** Times Internet asked \$100M; Amazon estimated \$60M

#### 6. Reliance – Disney

- Due diligence for **mega merger**
- Law firms: **Khaitan, SAM, AZB**

#### 7. PhonePe – ZestMoney

- **Deal failed** (April 2023)
- PhonePe: DD **did not meet bar**

#### 8. Hindustan Motors – Euro JV

- DD completed (Oct 2022)
- Electric 2-wheeler project planned

Let me know if you want flashcards or a formatted PDF of this. Here is the revised content on **Need, Scope & Benefits of Due Diligence** in short, direct bullet points with **keywords bolded**, symbols, abbreviations, and minimal grammar for **quick exam revision**:

#### ★ NEED FOR DUE DILIGENCE

- ✓ Confirm business is as it **appears**
- ✓ Build **trust** b/w unrelated parties
- ✓ Access **risks + opportunities** of deal
- ✓ Reduce **post-transaction risk**
- ✓ Investigate affairs as **prudent bizman**
- ✓ Confirm all **material facts**
- ✓ For **Reps & Warranties / Indemnity**
- ✓ Negotiate **price concession**
- ✓ Ensure **transaction criteria** is met
- ✓ Evaluate **biz opportunity**
- ✓ Check **compliance** with laws + disclose **restrictions**
- ✓ Evaluate **physical + intangible assets**
- ✓ Decide **purchase price + payment mode**
- ✓ Discover **deal-breaking liabilities**
- ✓ Check for **antitrust risks**
- ✓ Evaluate **legal/financial risks**

#### 📁 CASE STUDIES – LACK OF DUE DILIGENCE

- **Bharti–Zain Deal:** Missed risks in Africa → Low EBITDA post-acquisition
- **Satyam Fraud:** Banks gave ₹1,221 Cr loans ignoring red flags
- **Bombay Dyeing:** SEBI fined 5 ex-directors ₹59L → Audit Comm failed due diligence

#### 🔍 SCOPE OF DUE DILIGENCE

- Info: **Public + proprietary** (assets, liabilities)
- Covers: **Financial, HR, Tax, Legal, IP, Evt., Contracts, Litigation**
- **Transaction-based**, varies per deal
- Assess:
  - **Tax structure**, over/under-valued assets
  - **Hidden liabilities**, penalties, compliance gaps
  - **Mgmt quality**, key employees
  - **Technical/Comm feasibility**
  - **Synergies**, cross-border issues
  - **Reputation, IP, intangibles**

#### 📁 CASE STUDIES

- **Silicon Valley Unicorns:** Overvaluation due to investor eagerness → Ignored diligence

- **HP-Autonomy:** 6 hrs due diligence → \$5B fraud loss, shareholder lawsuit
- **Daiichi-Ranbaxy:** USFDA violations hidden → \$525M award for misrep & concealment

#### ✓ ADVANTAGES / BENEFITS

- ✓ Reviews **ownership + mgmt**
- ✓ Contrast of **company vs market**
- ✓ Research on **competitors**
- ✓ Review **FS**, debt/equity ratios
- ✓ Track **revenue/profit trends**
- ✓ Estimate **growth potential**
- ✓ Study **capital structure**
- ✓ Identify **deal-breakers**

#### 📁 CASE STUDY

- **Zee–Sony Merger:** \$1.575B Sony investment → Content + sports synergy
- **ABC–DEF:** Food sector M&A → DD on finances + IP → Positive merger outlook

Let me know if you'd like this as a printable PDF or Anki flashcards format.

Here are the **summarized notes** for **Due Diligence – Factors, Process, Report & Risk Control** in short, direct bullet points with **bolded keywords**, as per your instructions:

#### ★ FACTORS TO BE KEPT IN MIND WHILE CONDUCTING DUE DILIGENCE

- **Objective & Purpose:** Validate transaction, assess risks, decide terms & price
- **Planning the Schedule:** Define steps, areas, aspects, docs needed
- **Negotiation for Time:** Request more time if seller rushes process
- **Risk Minimisation:** Double-check financials, tax, IPR, lawsuits; analyze mgmt, infra, strategy
- **External Sources:** Verify via customers/vendors; flaws help renegotiate
- **Structured Info:** Organize report info clearly
- **Report → Material Facts only:** Avoid irrelevant info

#### ⚠ CHALLENGES IN DUE DILIGENCE

- **Incomplete/No Info:** Use alt sources
- **Lack of Time:** Restrict checking scope
- **Employee Non-cooperation:** Escalate to authority

#### ★ STAGES OF DUE DILIGENCE

##### 1) PRE-DILIGENCE

- **LOI/Term Sheet:** Define scope, output, timeline
- **NDA Signed**
- **Checklist Issued**
- **Docs Collated & Reviewed**
- **Issues Identified**
- **Data Room Created:** Checklist labeled, “NA” marked, timelines met, one-point contact, visitor register

##### 2) DILIGENCE

- **Due Diligence Report Types:**
  - **Executive Summary:** Highlights, deal breakers
  - **Main Body:** Based on checklist

- **Appendices:** Supporting docs
- **Report Covers:** Gen info, fin data, agreements, litigations, IPRs, CSR, HR, controls, purpose
- **Clauses:** Confidentiality, assumptions, reliance, risk analysis

### 3) POST DILIGENCE

- **Non-Compliance Rectified**
- **Compounding/Applications**
- **Shareholders Agreement Negotiated**

### ★ OUTCOMES OF DUE DILIGENCE REPORT

- **Deal Breakers:** Serious non-compliance, criminal, liabilities
- **Deal Diluters:** Quantifiable violations → value drop
- **Deal Cautioners:** Rectifiable non-compliance
- **Deal Makers:** Clean report

### 🔗 TECHNIQUES OF DUE DILIGENCE & RISK ASSESSMENT

- **Objective Eval:** Align info with project goal
- **Know Your Client**
- **Analyse Financials:** BS, IS, forecasts, trends, debt, taxes, ratios
- **Inspect Documents**
- **Control Risks:**
  - Risk-specific monitoring/testing
  - Frequency depends on risk & client history
  - Whistle-blowing, STOP checks, traffic spikes, alerts, internal SOPs
- **Responding to Incidents:**
  - Rapid acknowledgement
  - Work with regulator
  - Deliver high service standards

Do you want flashcards created from these notes as well?  
Here are the **summarized exam notes** in short, direct bullet format as per your instructions:

### TYPES OF DUE DILIGENCE

- ◆ **Legal DD:** Org. structure, assets, contracts, securities, IP, litigation
- ◆ **Financial DD:** FS, debt, income, cash flow, ratios, tax
- ◆ **Operational DD:** Business model, supply chain, infra, ops risk
- ◆ **HR DD:** Employees, contracts, benefits, key staff, unions
- ◆ **Bank DD:** Loan docs, limits, charges, covenants
- ◆ **Strategic DD:** Alignment with goals, market positioning
- ◆ **Ethical DD:** ESG, CSR, compliance culture, fraud risk
- ◆ **IT DD:** Infra, software, licenses, cyber risk

### LEGAL DUE DILIGENCE

- ✓ Assess legal risks, org. structure, contracts, IP, assets
- ✓ Covers inter/intra-corp transactions, litigations, compliance
- ✓ Includes:
  - MoA, AoA, Minutes (3 yrs)
  - Reg. of Members/Charges
  - Share cert., share transfers
  - Material contracts, loan/guarantee docs
  - ROC filings, SEBI regs, RPTs, IPO/FPO
  - Legal registers, court orders, awards
  - Org chart, stock exchange filings

👤👤 **Role of CS:** Watchdog of Corporate Governance – NCLT (Technology Frontiers case)

### ✦ Transactions Covered:

- IPO, FPO, QIP
- M&A, JV
- Corporate restructuring
- Buyouts, PE
- Governance & Compliance

### 📖 Scope:

- **Company Law, SEBI, FEMA, RBI, IP Law, IT Act, Labour, Insurance, RERA, Income Tax**

### DUE DILIGENCE IN MERGER & AMALGAMATION

✓ **Objective:** Assess target co.'s financial, legal, regulatory, HR, culture, ops

✓ **Goal:** Confirm viability, price, synergies, integration ease

### DD PROCESS IN M&A STRATEGY

| Stage                | Buyer  | Seller                            |
|----------------------|--|-----------------------------------|
| <b>Prep</b>          | M&A strategy, shortlist targets, appoint advisor, build team | Shortlist buyers, appoint advisor |
| <b>Pre-DD</b>        | Approach targets, NDA, list data needed                      | NDA, data room creation           |
| <b>DD</b>            | Inspect data, evaluate risk-return, structure deal           | Provide access, deadlines         |
| <b>Negotiation</b>   | Final offer, term negotiation                                | Select offer, negotiate           |
| <b>Docs</b>          | Sign merger/acquisition agreement                            | Same                              |
| <b>Reg. Approval</b> | Board, shareholders, regulators                              | Same                              |
| <b>Integration</b>   | Post-deal ops, system & culture alignment                    | —                                 |
| <b>Post DD</b>       | Merge integration, data room close                           | Ownership exchange                |

Let me know when you're ready for the next topic.  
Here are the exam-style summarized bullet notes for quick revision on the following topics:

### DUE DILIGENCE FOR TAKEOVERS

- **Purpose:** Assess **risks**, confirm **sale conditions**, understand **target's value**, verify **negotiation elements**.
- Covers: **Financial, Legal, Tax, Social, Environmental** history + future outlook.
- Helps **maximize benefits & minimize risks** post-acquisition.
- Conducted **post-LOI or agreement** stage.
- Regulated by: **SEBI (SAST) Regulations, 2011, Listing Agreement, Open Offer norms**, etc.

### CASE LAW:

- **Nirma v. SEBI:** SC held that **investor must do own DD**; plea of **fraud post-offer rejected**.
- **TotalEnergies-Adani:** \$3.1B investment post **full DD & compliance**.

### DUE DILIGENCE FOR ISSUE OF SECURITIES

- Applicable to: **Public offers, Private placement, Rights/Bonus issue.**
- Laws: **Companies Act, 2013, SEBI (ICDR), 2018, SEBI (LODR), 2015.**
- Ensures **no material misstatement or omission** in offer docs.
- Avoids **legal & reputational liability.**
- Focus: **Disclosure accuracy, offer document integrity, regulatory compliance.**

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#### INTELLECTUAL PROPERTY DUE DILIGENCE

- Checks validity, ownership, infringement risk of:
  - **Patents, Trademarks, Copyrights, Designs, Brand Names.**
- Reviews:
  - **Licenses, Assignments, Agreements, Pending claims.**
- Confirms **domestic & international IPs.**
- Goal: Evaluate **IP portfolio strength & litigation risks.**

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#### ENVIRONMENTAL DUE DILIGENCE

- Statutes: **EP Act, 1986, Air Act, Water Act, NGT Act, etc.**
- Scope:
  - Check for **permits, hazardous substances, pollution, site compliance.**
  - Review **litigations, correspondence with authorities, environmental liabilities.**
  - Confirm **disposal compliance & indemnity clauses.**

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#### LABOUR LAW DUE DILIGENCE

- Laws: **EPF, ESI, Maternity, Wages, Factories, Sexual Harassment, etc.**
- Purpose: Identify **non-compliance**, minimize **regulatory risk** before M&A, IPO, JV, Winding up.
- Reviews:
  - **Employment contracts, job roles, termination docs, registers, agreements.**
  - Checks for **gap in payroll & labour practices.**

---

#### COMPETITION LAW DUE DILIGENCE

- Focus:
  - **Agreements:** Production, pricing, customer, distributor, non-compete.
  - **Dominance:** Abuse, relevant market.
  - **Combinations:** M&A impact, assets/turnover, CCI notification.
- Steps:
  - Review documents + conduct interviews.
  - Assess exposure to **anti-competitive practices.**
  - Suggest **compliance program** if needed.
- Impacts: **Deal value, deal structure, withdrawal risks.**

Let me know if you want Anki flashcards or any diagrams from these notes.

Here are the **summarized revision notes** for the last portion on **FEMA, FCRA, Financial, and Bank Due Diligence**, in short bullet format with minimal grammar and **key terms bolded**:

---

#### FEMA DUE DILIGENCE

- **Governing Law: Foreign Exchange Management Act (FEMA)**
- **Aim:** Facilitate **external trade**, maintain **forex market**, monitor **cross-border transactions**
- **Purpose:** Avoid **non-compliance**, monitor **sectoral/investment caps**
- **Covers:**
  - **Capital A/c transactions**
  - **Current A/c transactions**
  - **Currency Transactions**
  - **RBI:** Regulations, Master Directions, Circulars
  - **FDI Policy, approvals**
  - Setup: **Liaison/Branch/Project Office, WOS, JV, FII, FVCI, NRI/PIO**

---

#### FCRA DUE DILIGENCE

- **Governing Law: FCRA 2010, Rules 2011, Amendment 2015**
- **Scope:** Regulate **foreign fund inflow** to NGOs
- **Eligibility:** Must register under **FCRA** or get **project-based approval**
- **Legal Forms:** Trust, Society, Sec 8 Co.
- **Regulators:** MHA, IT Dept
- **Mandatory:** Annual return filing within **9 months** of FY close

---

#### OTHER BUSINESS LAWS DUE DILIGENCE

- **Checks:**
  - **Statutory approvals**
  - **Pollution laws**
  - **Immovable property/title**
  - **FEMA & Insurance**
  - **Factories Act, 1948**
  - **Real estate laws**
  - **Labour laws**
  - **International laws**

---

#### FINANCIAL DUE DILIGENCE

- **Purpose:** Verify **financial claims**, assess **risks & opportunities**
- **Includes:**
  - **Audited FS (3 yrs)**, recent **unaudited FS**
  - Review of **accounting policies, internal audit**
  - Assess: **Earnings, cash flow, assets, liabilities, tax, control systems**
- **Covers:**
  - **Inventory, debtors, creditors**
  - **Customer analysis, gross margin, fixed vs variable cost**
  - **Order book, sales pipeline**
  - **Tax diligence:** compliance, contingencies, TP, risk areas

#### Key Components:

- **Sustainable earnings, sales trends**
- **Profitability, overheads, BS strength**
- **Commitments, liabilities, policies**
- **Cash flows, debt, working capital**
- **Governance, related party txns**

#### Illustration:

- **EBIT manipulation:** Rs.572 mn included Rs.84 mn land profit

- Deal value reduced post diligence

---

## BANK DUE DILIGENCE

- **Trigger:** Co. seeking loan from bank
- **Focus:**
  - Promoter/director check
  - Compliance status
  - Charge creation/satisfaction
  - Default status
- **Certifying Authority:** PCS
- **Format:** As per RBI Circular DBOD NO. BP. BC. 46/08.12.001/2008-09
- **Period:** Half-yearly

### PCS Responsibilities:

- Access to all relevant books, records
- Can request **info/explanations**
- May obtain **representation letter** for unverifiable items

### Reporting:

- **Qualifications** to be in bold/italics
- **If info restricted:** mention limitations
- **No opinion:** state clearly with reasons

### Liability:

- **False report:** Penalty, disciplinary action under CS Act, 1980
- PCS must maintain **integrity & independence**

### Disqualifications for PCS:

- **Body corporate, employee, debtor, security holder, etc.**
- Also applies to **subsidiary/holding companies**

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Let me know if you'd like these exported into a formatted PDF or Anki flashcard file.

Here's a concise, **bullet-point-style revision note** on **Ethical Due Diligence (EDD)** with case studies, aligned with your format:

---

## Ethical Due Diligence (EDD) – Quick Revision Notes

### Definition & Focus

- **EDD:** Evaluates **moral, ethical, ESG, and compliance practices** of target company.
- Checks for **human rights, corruption, bribery, environmental impact, labour practices.**
- Often overlaps with **reputational and regulatory risk assessment.**

### Objectives

- Identify **non-financial red flags.**
- Ensure target aligns with **acquirer's ethical values & ESG policies.**
- Avoid **future legal, social, or brand damage.**

### EDD Coverage Areas

- **Anti-bribery/anti-corruption** policies
- **Human rights** records (child labour, forced labour)
- **Environmental compliance**
- **Diversity & inclusion**
- **Corporate governance** and board independence
- **Whistleblower mechanisms**
- History of **legal/regulatory penalties** or **public controversies**

### EDD Process Steps

1. Review of **ESG disclosures**, audit reports
2. Background checks on **directors, promoters**
3. Check **watchlists** (UN, OFAC, etc.)

4. Third-party interviews (e.g., ex-employees, vendors)
5. Media and litigation scan

---

## Case Studies on EDD

### 1. Vedanta – Sterlite Plant Controversy

- **Issue:** Environmental & human rights violations in Thoothukudi plant
- **EDD Miss:** No prior assessment of local opposition, poor community relations
- **Outcome:** Public protest, police firing, plant shutdown
- **Lesson:** EDD should include **local socio-political risk, environmental due diligence**

### 2. Nike (1990s) – Sweatshop Scandal

- **Issue:** Subcontractors used **child labour**, poor working conditions in Asia
- **EDD Miss:** No control over **supply chain ethics**
- **Outcome:** Global backlash, boycotts, long-term brand impact
- **Lesson:** EDD must cover **entire supply chain**, not just the target entity

### 3. Walmart – Mexico Bribery Scandal (2012)

- **Issue:** Bribes to local officials for expansion
- **EDD Miss:** Weak anti-corruption controls abroad
- **Outcome:** FCPA investigation, \$282M settlement
- **Lesson:** Critical to check **international compliance** of subsidiaries

### 4. Shell – Nigeria (Ogoni Crisis)

- **Issue:** Alleged complicity in human rights abuses and environmental degradation
- **EDD Miss:** Poor stakeholder mapping, lack of local community engagement
- **Outcome:** Global lawsuits, reputational damage
- **Lesson:** EDD must assess **local operational impact, community grievances**

### 5. Kraft-Heinz Acquisition of Ethical Brands

- **Concern:** Ethical brands feared dilution of sustainability mission
- **EDD Benefit:** Kraft conducted deep ESG audit to retain acquired brand trust
- **Lesson:** EDD helps **protect ethical brand equity** during M&A

---

Would you like similar bullet-style notes for **Strategic Due Diligence** next?

Here are the **bullet-point revision notes** for **Non-Disclosure Agreement (NDA)** using your specified format:

---

## NON-DISCLOSURE AGREEMENT (NDA)

- **Legally enforceable** contract for **confidentiality**
- Between **Disclosing Party & Receiving Party**
- Creates **confidential relationship**

---

## FUNCTIONS OF NDA

- **Protects sensitive info** → breach = **contract violation**
- Helps retain **patent rights** in inventions
- Clarifies **what is confidential vs what is public**

---

## CONTENTS OF NDA

1. **Definitions & exclusions**
  - Define **confidential info categories**
  - Exclude **public/common knowledge, pre-disclosure info**

2. **Obligations**
  - No disclosure, copy, adapt, circulate
  - Limit access → **“need-to-know” basis only**
  - Use only for **defined purpose**
  - Ensure 3rd parties follow **similar obligations**
  - Secure storage of confidential info
3. **Exceptions**
  - Info already **public, available, or independently developed**
  - **Statutory/judicial disclosure** = not breach
4. **No title or use**
  - No rights to use/title beyond NDA scope
5. **No obligation to disclose/negotiate/accuracy**
6. **Term & Termination**
  - Obligations **survive possession** of info
  - Return **documents, samples, models** on request
7. **Miscellaneous**
  - No assignment without consent
  - Waiver clause
  - Severability of invalid clauses
  - Governed by **Indian law**
  - NDA ≠ agency/partnership

---

#### **SAMPLE NDA CLAUSES (HIGHLIGHTS)**

- Parties: **XYZ Ltd. & ABC Ltd.**
  - Purpose: **Expert advice or evaluation**
  - **Clause 1:** Confidential info includes technical, financial, legal, IP, negotiations
  - **Clause 2:** Strict **confidentiality undertakings**
  - **Clause 3:** Exceptions to confidentiality
  - **Clause 6:** NDA continues while info in possession
  - **Clause 7:** Legal enforceability, jurisdiction = **Indian courts**
-