



Your Growth, Our Business

Due Diligence Services



www.acquisory.com

Celebrating 15 Years of Learning & Growth

About Our Firm

- ✓ **Acquisory** was incorporated in 2010, by highly credentialed and experienced professionals, bringing in more than 25+ years of individual experience and a cumulative experience of 300+ years.
- ✓ The management team among themselves represent extensive experience in specialized services across M&A Advisory, Investment Banking, Asset Management and Operations & Risk Consulting.

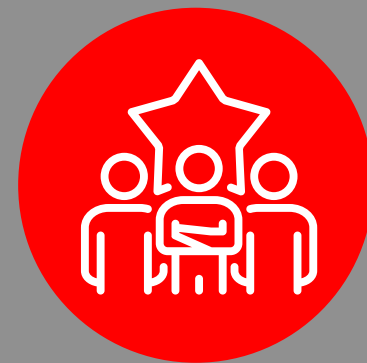
We help clients through the entire business continuum from identification of the problem, to solution, to implementation.



Established in
2010



Services spanning
entire deal continuum



250+
professionals



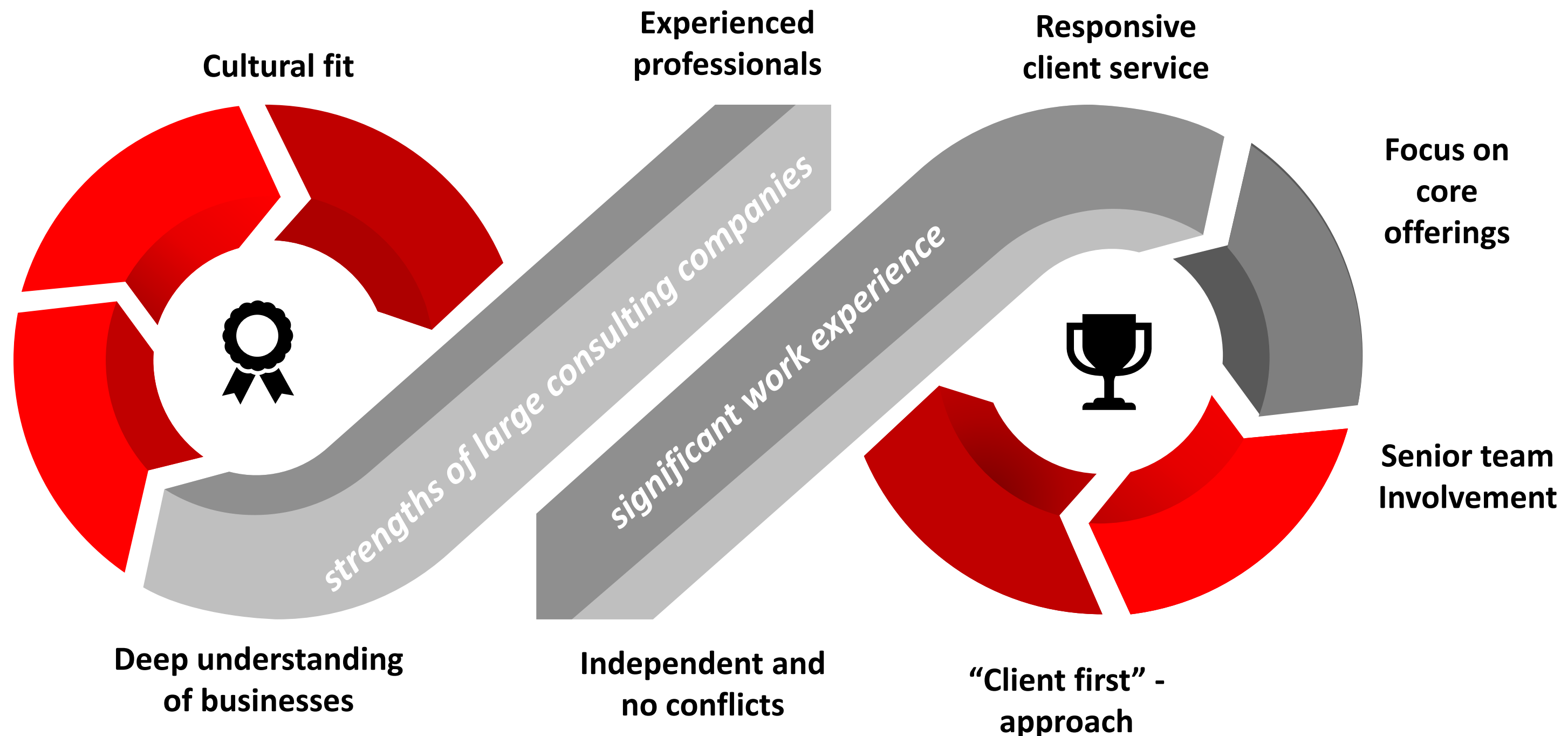
300+ man years of
experience of
leadership team



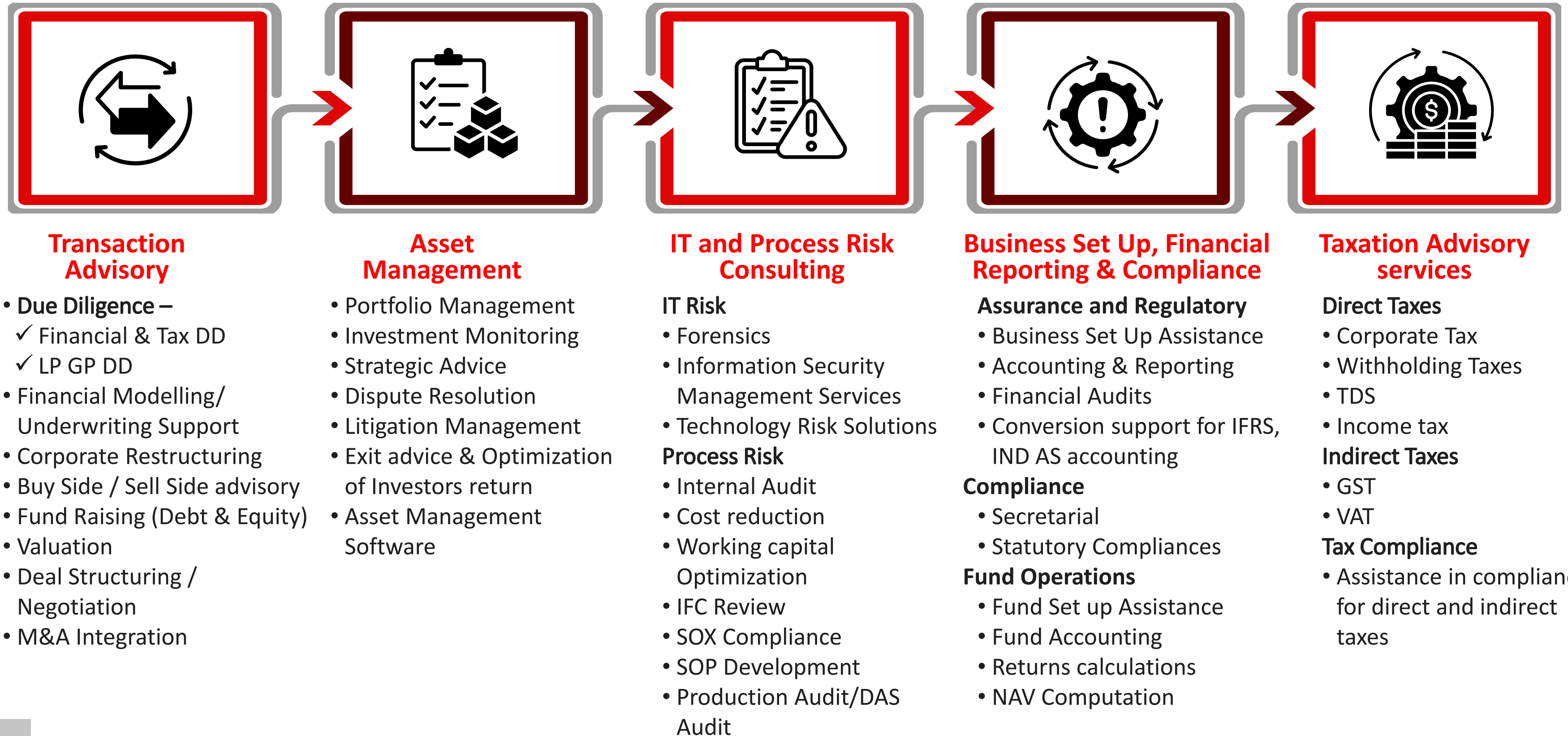
Offices at Delhi-NCR,
Mumbai , Bengaluru
& Dubai (UAE)

Why Acquisory?

Acquisory fills a unique and valuable position in the market, as depicted below. We bring a unique blend of knowledge and experience to the table which combine the focus, dedication and independence of a boutique firm, with the methodologies & deep skill-sets of the Big 4.



Our Service Portfolio

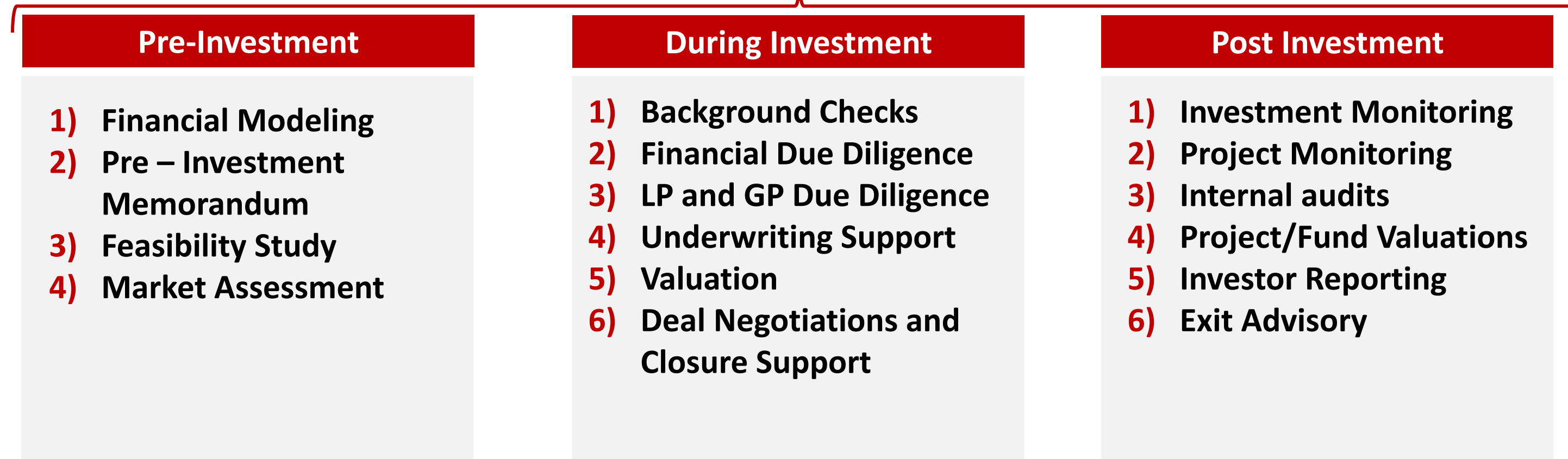


Service Portfolio - For Funds/Investors

We bring a structured approach to each assignment, with a unique set of objectives, requiring specific priorities, designed to deliver the best results. With a widespread and detailed understanding of operations, we can rapidly formulate and execute practical solutions in complex business problems / environments by:

- ✓ Obtaining in-depth business / industry understanding
- ✓ Collating all facts and getting them right
- ✓ Analyzing and diagnosing the problem
- ✓ Identifying practical solutions
- ✓ Planning and partnering
- ✓ Supporting and leading
- ✓ Establishing a self-sustaining organization

Service Offering classified as Deal Cycle



Due Diligence - FDD/LP GP DD

We keep ourselves focused on synergies in business and the overall environment in which the business operates to arrive at a viable merger option. At Acquisory we provide the following categories of due diligence consolidated in one report:

- **Business and Financial**
- **Tax**
- **Operational**
- **Legal (through tie up with law firms and experts)**

We work with specialists who possess in-depth industry knowledge and market know-how and identify comprehensive key transaction risks and concern areas (value destroyers) along with potential upsides (value enhancers).

Bring industry and geography perspective and knowledge

Blend transaction, tax, structuring, valuation and legal competencies

Transaction specialists with experience on deal size range of USD 1 mn to USD 1 bn

Dedicated group of specialists providing end-to-end solutions

Planning



- Financial analysis – get the numbers right
- Quality of earnings and net assets base
- Accounting policies and practices
- Reliability of systems
- Link to audited numbers

Analyze History



- Understand assumptions
- Analysis of business drivers
- Consider market research
- Compare with historical data
- Ensure projections are integrated
- Discuss with management

Understand Future



- Understand the business
- Understand the deal drivers
- Agree on expectation
- Desktop research
- Develop information requirement checklists

D Deal Issues
Validate strategic rationale

E Evaluation Issues
Informed valuation decision

A Assurance Issues
Identify & mitigate key risks

L Looking Forward
key going concern/ integration issues

Key Focus Areas - Due Diligence (Slide 1/4)



Revenue

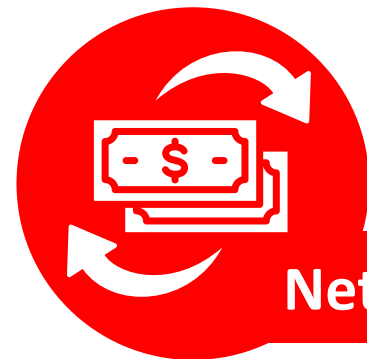
- Revenue Recognition as per AS-9;
- Quality of Revenue;
- Sustainable revenues over last three years and growth pattern;
- Revenue recognition through Contracts with Corporate, Dealers, Retailers etc;
- Understanding of order book;
- Understanding of sales and marketing process;
- Revenue analysis by – customers and clients;
- Revenue analysis by services and by branch;
- Number of customers in each segment;
- Average revenue per service and customer;
- Gross margins\EBITDA per service, segment, geography;
- Revenue per employee;
- Revenue through income earned from other sources; and
- Market share



Operational Costs

- Analysis of employee costs, business and support;
- Employee cost service and segment wise and per employee analysis;
- Operational cost – fixed and variable in nature
- Operational costs – geography wise analysis;
- Operational costs per branch;
- Understand and assess the basis for allocation of common costs and support expenses, if any
- Analysis of location-wise and grade wise manpower strength bifurcated in to own employees and contract manpower

Key Focus Areas - Due Diligence (Slide 2/4)



Net, Asset & Cash Flow

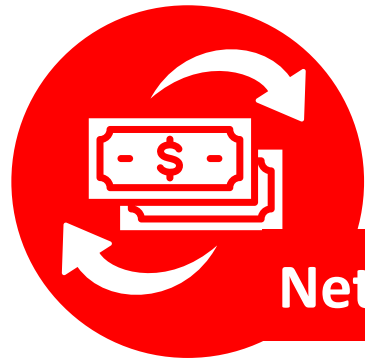
- Analysis of fixed assets by business segments;
- Analysis of significant additions/deletions to/of fixed assets during the historical period
- Analysis of capitalization of pre-operative and other expenses including interest costs
- Capital WIP-ageing, capital commitments, Planned vs Actual Capex & proposed Capex
- Working capital cycle (viz Creditors payout & debtor days etc) & Operating cash flows
- Receivable management-ageing doubtful debts, terms of credit



Other Costs

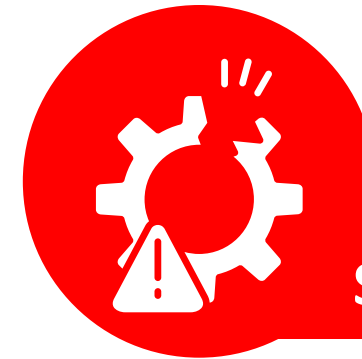
- Details of the principal wage structures and incentive/bonus plans
- Analysis of the number of contract Labour and the arrangements for employment. Functional deployment of contract Labour;
- Analysis of monthly power purchased (unit and value);
- Break down of finance costs for the historical period;
- Analysis of selling expenses by item head—Advertisement cost, commissions and any other form of incentives/commissions;
- Analysis of rent, rates and taxes for the historical period
- Analysis of repairs and maintenance, Insurance and legal and professional expenses for the historical period
- Analysis of expenses incurred on social causes, if any
- Analysis of employee stock option scheme, if any
- Analysis on the nature of non-operating income/ expenses items

Key Focus Areas - Due Diligence (Slide 3/4)



Net, Asset & Cash Flow

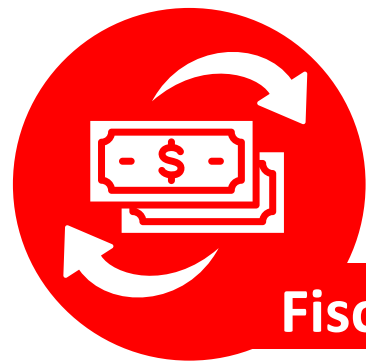
- Balance confirmations for key receivable balances
- Policy of discounts, price reductions and rebates offered(including contractual arrangements);
- Analysis of loans and advances;
- Analysis of other assets and cash and bank as on review date;
- Other current assets, recoverability, nature, term of advance
- Liabilities-ageing, basis of provisions, hidden liabilities, accrual of all expenses payment terms, contingent liabilities
- Liabilities like PF, Pension, gratuity, leave encashment, superannuation
- Debts-purpose, nature, repayment terms, penal provisions, restrictive covenants, guarantees
- Working capital facilities and utilization
- Cashflow analysis
- Gearing ratios: (Debt to Equity, Current Ratio, Interest Coverage Ratio etc.)
- Capital Commitment



Soft Issues

- Agreement with promoters and group companies
- Margin analysis
- Management team and experience
- Overall internal control environment
- Understand scalability of operations & execution capability
- Related party transactions
- Employee retention - ESOP & Incentive schemes
- Cost records and MIS
- Cash transactions
- Contingent Liabilities

Key Focus Areas - Due Diligence (Slide 4/4)



Fiscal Compliances

- Understand compliance status of direct & indirect laws
- Identify tax benefits/concessions available to the targets
- Identify financial exposures on account of applicable tax laws
- Analyze potential liabilities on account of any tax litigation/ appealed
- Analysis of outstanding demands (tax, interest and penal) levied and tax litigations
- Analysis of open communication with tax authorities and pending tax matters
- ROC Search and Secretarial Audit.



Sample Deliverables

Dependence on Customers

Dependence on Customers

Customers	FY06	%	FY07	%	FY08*	%	Assured FY09	Period of order
Export Sales								
Davis	18	13%	22	12%	34	26%	19	15-Nov-08
Femion	24	17%	20	11%	25	19%	25	1-Aug-08
Shanghai Desino	-	-	2	1%	21	15%	5	30-Jun-08
Grincenthal	18	12%	15	8%	16	12%	11	31-Dec-08
Bioeringer Ingleham	17	12%	54	29%	-	-	-	-
Incyte Corp	-	-	21	11%	-	-	-	-
Others	17	12%	22	12%	4	3%	13	-
Total	94	66%	156	84%	100	74%	73	
Domestic Sales								
Dabur Pharma	-	-	-	-	14	11%	5	15-May-08
Catalogue Sales	-	-	-	-	9	6%	-	-
Shiba Medicare	7	5%	10	5%	10	7%	6	30-Jun-08
Cadila	8	5%	12	6%	-	-	-	-
Cipla	17	12%	6	3%	-	-	-	-
Others	17	12%	1	1%	2	1%	7	-
Total	49	34%	30	16%	35	26%	38	
Grand Total	143	100%	186	100%	135	100%	111	

* Intercompany sales has been excluded from the above sales numbers

- Company continued to depend heavily on few customers: Concentration of revenues on the top 5 customers have increased from 70% in FY07 to 82% in FY08, thereby indicating a heavy dependence
- Assured revenue from these customers, based on the PO's existing with the Company as at May 24, 2008, during FY09 will be Rs 65MM. However the Company has projected a revenue of Rs 300MM for FY09. (Refer slide 36 for details)

Net Adjusted PAT for FY08

Particulars	Details	FY08
Net Reported PAT(Loss) as at March 31, 2008		12
Less: Proposed Adjustments		
Revenue		
- Overstatement of revenue	7	7
Raw Material Consumption		
- Overstatement of inventory	4	4
- Provision for slow moving items	NQ	4
Salaries		
- No provision of gratuity	3	
- No provision for staff welfare	0.5	
- No provision of leave encashment	0.1	
- No provision for bonus	0.4	4
Depreciation		
- Assets less than Rs 5K not charged off	NQ	NQ
- Reinstatement of foreign debtors and creditors	NQ	NQ
Financial Expenses		
- Wrong capitalisation of interest to RVZag land	5	
- Wrong capitalisation of interest to Synthesis Unit	0.2	5
Provision for expenses		
- Under provision for expenses	1	1
Total Adjustments	21	
Net Reported PAT(Loss) as at March 31, 2008		(9)

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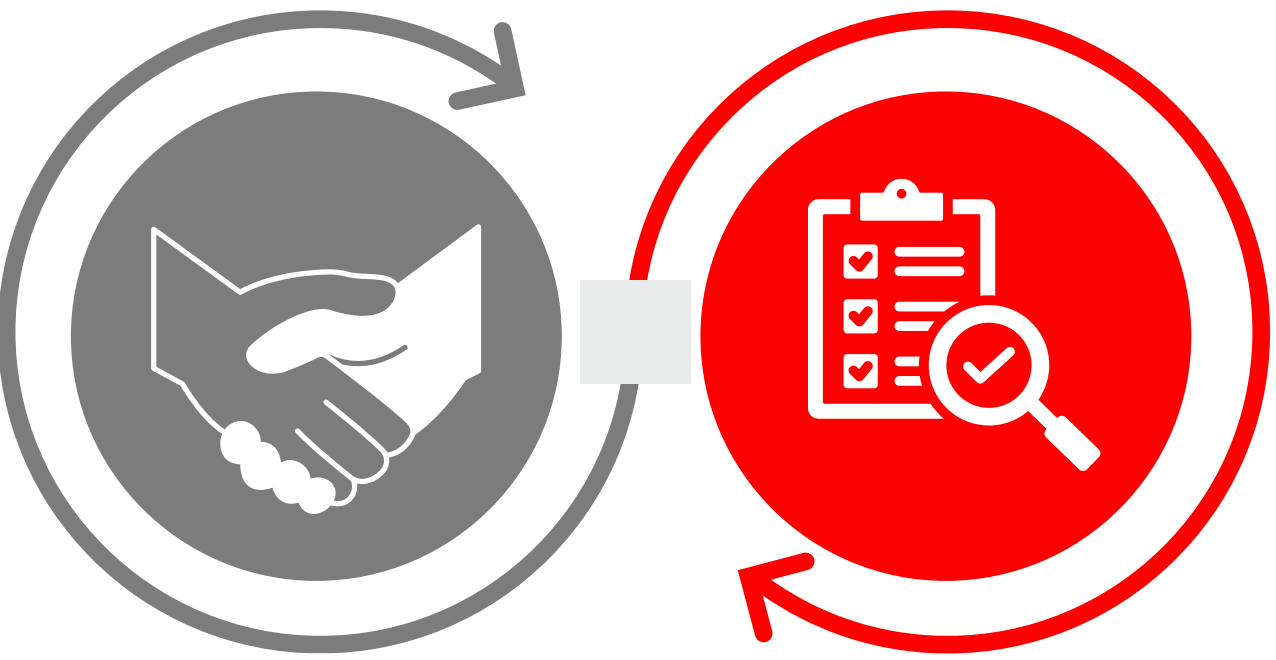
Related Analysis

- Overstatement of Revenue: Per discussion with management, we understand that, the Company is recognizing revenue on dispatch of goods from the factory as against CIF terms with customers. However reading of the agreements/PO's with the customer and per AS "9" indicated that revenue should be recognized when goods reaches the customer location. Hence the goods in transit on March 31, 2008 may be negated from revenues till March 31 2008. Impact of such goods in transit on gross margins is given below:

Particulars	Date	Product	Amount
Sale to Shanghai Desino	31-Mar-08	S.N-38	4
Gross Margin (60%)			2
Sales to Dabur	31-Mar-08	S.N-38	7
Gross Margin (60%)			4
Net Adjustment			7

Sales done on March 31, 2007 has been added from the above numbers.

Management informed us that all the international consignments (Shanghai Desino) are dispatched by air and reach the customer within three to four days from despatch.



Deal Issues

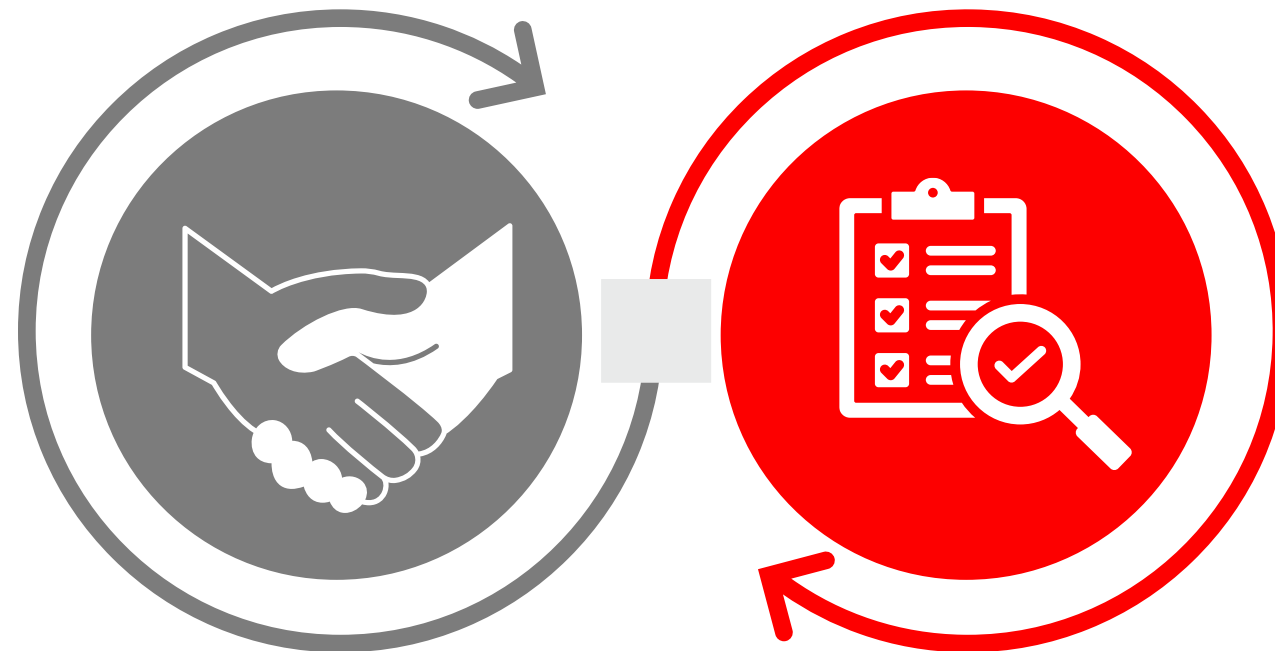
- Strategic business risks which depend upon magnitude of risk & likelihood of its occurrence
- Reflect the key risks / challenge the transaction faces

Evaluation Issues

- Risks that have an impact on the valuation of the target companies
- Risks which help bring out the future maintainable profits & gives the investor a perspective on the correct valuation of the target



Sample Deliverables



Assurance Issues

- Risks regarding indemnity/ warranty/ representation to be obtained from the existing promoters/ management of target company in order to protect the interest of the investor

Looking Forward Issues

- Risks that give an insight on the post merger/transaction completion issues that the client might face
- Our aim is to identify areas to focus on post acquisition to secure and build value, resolve short term weaknesses & mitigate risks

Assurance Risks – Direct Taxes

Disallowances in the Income tax return for A.Y 2005-06

- As per the computation of income, under the normal provisions of the Income Tax Act, the Company declared a loss and paid Minimum Alternate Tax (MAT) on book profits of Rs 2.1MM.
- The Income tax return under the normal provisions of the Company was scrutinized by the A.O and in his assessment order the income was enhanced on the following grounds:
 - Capital expenditure of Rs 420K was inadvertently claimed u/s 35 due to typographical error
 - Rs 836K paid to foreign delegates for conveyance and travel was disallowed due to non availability of necessary supportings
 - Entrance Fee and Subscription fees of Rs 350K was disallowed and capitalised
 - Expenses on increase in authorised share capital of Rs 50K disallowed
 - Claim u/s 10B for 100% EOU was reduced by Rs 236K due to disproportionate allocation of expenses resulting in higher profit in 100% EOU (tax exempt) unit and decrease in the profit in non-EOU unit.
 - The tax department held that since the Company is in contract research (business of conducting research for others) and does not conduct research related to its own business, it should not be allowed 100% deduction of capital expenditure on research of Rs 23MM. However, such expenditure was allowed to be capitalized and depreciation claimed thereon. Penalty proceedings were also initiated against the Company.
 - As a result of the above disallowances, an additional tax demand of Rs 9MM was raised against the Company.

Looking Forward Risks

Unsupported Transactions

- Analysis of data indicates that there are transactions under various expenses in the books of accounts for FY07 and FY08 which have no supportings. A few examples of such expenses are:
 - Staff Welfare amounting to Rs 20K (source: management discussions)
 - Travel and conveyance amounting to Rs 600K (source: management discussions)
- There might be a possibility of tax disallowance due to no supporting.
- Details of such transactions were not made available for our review.

Way Forward / Recommendation

We recommend _____ to evaluate the nature of these transactions and ensure that in future, systems are put into place so that no unsupported transactions are accounted for in the books.

Useful life of assets

- Analysis of data indicates that the Company is depreciating its assets on a written down value basis as per rates prescribed for single shift under Companies Act, 1956. Discussions with management indicated that some of the machines during three to four months in a year runs at double shift and triple shift. The Company has also not provided for extra shift depreciation for the same due to lack of accurate records for the same.
- Further no physical verification of the assets has been carried out by the Company.

Way Forward / Recommendation

We recommend _____ as a condition precedent, before the closure of the transaction should ensure that all the fixed assets should be physically verified and discrepancies if any should be adjusted in the valuation model.

Awards & Certifications



**Venture Intelligence Ranking –
2024-25**



**Promising MSME –
2022**



**Best M&A Advisory Firm -
2018**



**Due Diligence Experts -
2014**



**M&A Advisory Firm of
the year 2013**



ISO 9001:2015



ISO/IEC 27001:2022

Our Clients





Highly Credentialed Team



Sumchit Anand

Qualification - CA
Experience - 30+ Years
Registered Valuer- IBBI



Krishan Goyal

Qualification - CA
Experience – 20+ Years
Registered Valuer- IBBI



Divya Vij

Qualification - CA
Experience – 30+ Years



Kinnari Gandhi

Qualification – CA
Experience – 20+ Years



Puneet Batra

Qualification - CA
Experience - 17+ Years



Ami Shah

Qualification - CA
Experience - 12+ Years



Arkit Moondra

Qualification - CA
Experience: 12+ Years



Sourabh Goyal

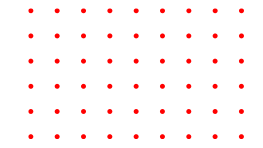
Qualification - CA
Experience: 11+ Years



Nikita Agarwal

Qualification - CA
Experience - 6+ Years

Our Offices



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