

## **Legal Due Diligence in India – Guide for Investors and Buyers**

Due diligence refers to the process of conducting thorough research about a potential partner, company, supplier, or other party before entering into a business transaction with them. Initial time and money spent in due diligence can go a long way in saving one from unforeseen hassles in future, owing to delayed delivery of the product by the supplier, and minimizes the risk of working with an unreliable or dishonest party. It especially becomes important when the parties entering into contracts are located in different countries.

Due diligence is required in following scenarios:

- i. Supply and procurement contracts;
- ii. Joint ventures;
- iii. Partnerships;
- iv. Share Purchase Agreements;
- v. Real estate matters;

Meaning and objectives of due diligence:

- i. Careful examination and assessment of business and financial aspects of other party;
- ii. Identifying potential liabilities and risk issues;
- iii. Minimising risk and carrying on transaction with speed and efficiency;
- iv. Reviewing pending or ongoing litigation or other legal issues;
- v. Checking licenses, registrations, permits and compliance with applicable laws;
- vi. Compliance with legal and regulatory requirements.

Following steps are essential before entering into any supply contract:

- i. Identify the information and preparing a checklist;
- ii. Conduct a risk assessment by analysing the potential areas of conflict of interest, and potential risks including delayed delivery or financial fraud;
- iii. Review all the contracts carefully, paying close attention to clauses relating to indemnification, damages, termination, and legal recourse available in case of conflicts or breach of interest.
- iv. Ensuring compliance with applicable laws, in order to avoid legal hassles.

Legal due diligence helps in discovering any legal or financial risks, minimising potential issues, and providing better assurance of deliverables and returns.