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RBSA Advisors

Due Diligence Perspective Under COVID Era

July 2020

Valuation | Investment Banking | Restructuring
Transaction Services | Transaction Tax
Risk Consulting | Dispute & Litigation

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Key Objective of This Document

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The rapid outbreak of COVID-19 presents an alarming health crisis that the world is grappling with. The outbreak has been declared as a pandemic by the World Health Organization and a notified disaster by the Government of India. Measures to combat the pandemic have resulted in significant disruptions of business operations coupled with trade restrictions and non-fulfilment of contractual obligations.

The pandemic in India came at a most inopportune time adding pressure to already slowing economy, as the GDP expanded at the slowest pace for the quarter ended March 2020 and FY20. As of June 2020, many countries across the world are in different stages of opening after going through a complete / partial lockdown for 60-90 days. India went for an early lockdown beginning 25 March 2020, which contained the infections and mortalities, however delayed the peak which will keep people at home for a longer period delaying the economic resurgence.

The pandemic has disrupted operations of the companies across the globe due to:
- Change in consumer behavior including cut in discretionary spending
- Disruptions in supply chain
- Paucity of funding sources

The ongoing disruption will significantly impact the revenue, profitability, cash-flows and working capital of the companies across most of the sectors. Such companies will contemplate to raise funds/exit their non-core businesses. Likewise, Investors with dry powder will hunt for bargain deals. All of these transactions will require an in-depth due diligence.

While the basic objectives of the due diligence - both financial and tax - remain the same, the process would become more intense during these challenging times as more cautious approach would be exercised by both the parties (Buyer as well as Seller) due to the uncertainties posed by the COVID situation. It is difficult to predict the time span of this pandemic and it would therefore become critical to understand whether the disruptions in the operating structure are a temporary phenomenon, or a fundamental change (viz., the new normal) for striking the right transaction price.

The focus of due diligence, therefore, would be on (a) the actual operating results (b) the assumptions made in the management operating and financial plan for the next 6-12-24 months (c) any aggressive means suddenly resorted by the Company in its tax affairs and any material deviation from the past.

This Paper aims to highlight some of the key focus areas in a financial and tax due diligence that would be relevant for transactions under the current COVID situation. This is meant to be an indicative guidance for focus areas and will be tailored in accordance with specific situations. The procedures generally work for both, the buy-side and sell-side, private equity and corporate clients. But the extent and focus of the work would vary with specifics pertaining to each company and the industry segment.

This is a guide and not a policy. There are many different approaches to the due diligence depending on the client's focus areas, access to information, available time and the transaction perimeter.

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Section 1
Fundamentals

Determining adjustments to Enterprise Value

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Like the rest of the world, transactions have slowed down drastically in India. Companies are consumed with weathering the immediate crisis while billions of committed capital wait for the dust to settle. In fact, the pandemic may create a wave of new deals as troubled companies look for funding / exit strategies and investors look for attractive bargain. In some industries, companies may exit the pandemic healthier, attracting a new round of interested sellers.

While there exist opportunities for M&A / PE transactions, performing diligence on the companies and arriving at normalized EBIDTA and working capital would be challenging in present circumstances.

Typical purchase price components		Challenges
Enterprise value (EV) - Cash and debt free price	EV commonly based on EBITDA multiple or DCF	Determination of EV basis normalized EBITDA becomes tricky due to erratic and unstable operations and cashflow
Debt and debt-like items	Adjustment to Enterprise value for debt and debt-like items	Impact of debt-like items due to non- adherence to contract terms, liquidated damages, liability owing to discounted trade receivables, employee severance pays, potential deferral in capex, tax balances & tax exposures
Equity value		
Working capital (WC) adjustments	Adjustment between actual level of WC and the Target level of WC	Challenges to determine Target WC level - Depletion of inventory levels, valuation basis, duration of new normal credit period for receivables and payables, quality of receivables and overdue payables
Other price adjustments	As determined by the mechanics of the transaction documents	Due to lack of visibility on the earnings, deal structures per the transaction documents may focus on earn out mechanism
Cash consideration		

While there will be process challenges, Diligence approach to consider new realities with focus on fundamentals

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- Due diligence process may become very intense. Buyers may be more diligent in their approach. The sellers should appreciate the buyers' sensitivity and proactively gather information regarding impact due to COVID and the troubleshooting measures taken to counteract the same.
- The challenges to conduct smooth due diligence are illustrated below. Please note that these are indicative list of challenges and will have to be supplemented basis the company and industry specifics.
  - Most of the countries have closed their borders and domestic travel is also restricted. This makes physical meetings and site visits a remote possibility
  - There will be no or limited access to the management of the company ('Management'), the financial records, and operations at the seller's location. Work will be largely carried out basis information made available in the virtual data room (VDR) and telephonic / video conferencing Q&A sessions with the Management
  - Certain tax and legal documents like statutory registers and returns, title deeds related to immovable property, etc. are usually maintained in physical form. Data may not have been digitized, which can lead to gaps in the information made available to a buyer
  - Specialized due diligence procedures like physical verification of plant & machinery and inventories may have to be deferred
  - Since people are remotely working and invariably accessing data from their laptops and home network, confidentiality of data may be compromised

- The key emphasis will continue to remain on the Fundamentals by understanding:
  - Seller's ability to service existing loans and creditors despite business interruption to ensure that it is insulated from any insolvency risk
  - Basis of preparation of the financial statements and MIS, how detailed is the MIS and reconciliation of MIS with the financial statements
  - Consistency and appropriateness of accounting policies (e.g. revenue recognition)
  - Key changes in the accounting estimates (e.g. deferred revenue, accruals and provisions)
  - Link between earnings analysis and balance sheet and cash flows
  - Basis of preparation of the carved-out financials. The carve-out financials of the business may have its own unique set of issues, depending on companies existing accounting infrastructure and systems and the extent of sharing of common resources between the carved out business and other businesses
  - Identify tax exposures - historic and futuristic; and highlight any aggressive tax positions taken

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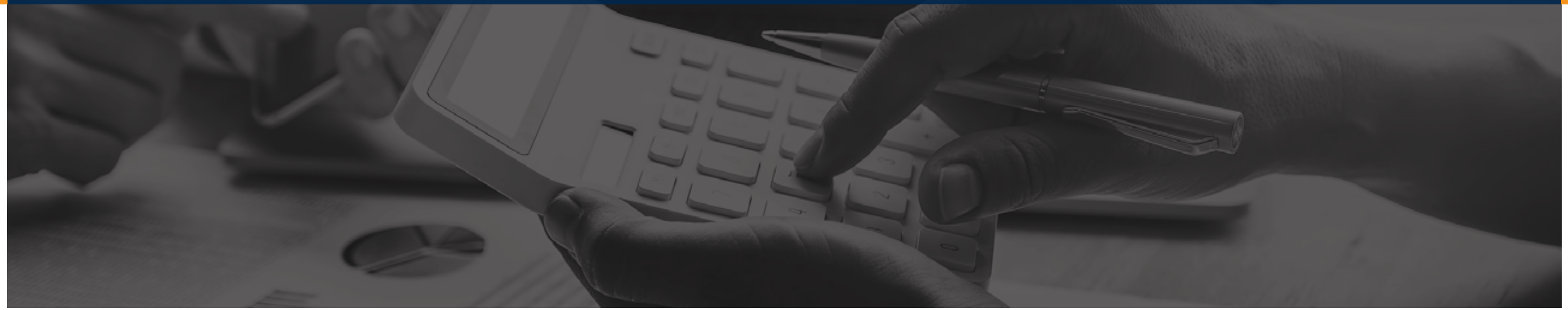
Section 2
Financial Diligence Considerations



Quality of Earnings : Key considerations in determining normalized revenue and margin

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- Reported earnings are subjected to accounting, normalization, proforma, one-off and other adjustments to establish normalized or maintainable earnings trend. An historical basis is established against which projected results used for the purpose of discounted cash flow ('DCF') model can be evaluated for vulnerabilities and upsides.
- A multiple is typically applied to the most recent full year or last twelve months (LTM) or current year forecast earnings to estimate the enterprise value of a business. This is a proxy for, or check against, the DCF model.

Key points	Guidance
Post lock down, benchmark enterprise valuation basis earnings, while subjective, becomes critical	While COVID will adversely impact most companies, some businesses may experience a temporary or permanent benefit. There is no one size fits all approach and the key focus here is to understand the 'new normal' of the company. From broader perspective, we must understand: ◦ Robustness of MIS and derive comfort on the 6-12-24 months management plan assumptions basis the historical results. Given the uncertainty of the situation and historical trends of the COVID era for shorter period, the trends would have to be supplemented by the commercial acumen of the buyer / seller ◦ Revenue and margin loss on commencement of business post the pandemic i.e. whether such phenomenon is transient or structural shift has occurred ◦ Monthly cash flow and working capital position, existing debt repayment terms, restructured debt terms, moratorium period and its extension ◦ How detailed is the management plan? Whether management plan captures all the upsides as well as all the vulnerabilities i.e. worst-case scenario. ◦ Business restructuring measures initiated by the sellers The following may be considered while determining normalized earnings: ◦ Compare earning trends for the quarter before COVID (on a seasonally adjusted basis) to impacted months and management's near-term forecast ◦ If momentum for financial performance appears to be stabilizing for a series of months, the annualization of earnings for the most recent quarter(s), adjusted for seasonality, may help determine the impact of COVID. Shorter reference period will likely be less reliable than a quarter or half-year approach ◦ Benchmark earning trend of the company relative to industry peers
Analyse whether revenue and margin impact post COVID is transient or a fundamental shift	Revenue and margin may be impacted due to change in consumers behavior and disruption in supply chain. The procedures to analyze the impact are as follows: ◦ Analyze sales trends before, during, and after the pandemic by customers, products, end-markets and channels. Dependency on key customers and suppliers and their continuity. Dependency on related parties ◦ The variable consideration for sales viz. price and volume discounts, rebates, refunds, etc. estimated at contract inception need to be reassessed considering uncertainties related to COVID outbreak ◦ Analyze impact on the top-line and margin due to disruption in the supply chain / distribution network, raw materials availability and price movements and whether such impact is transitory ◦ Assess one-time and recurring impact on business operations due to significant fluctuations in currency exchange rates and commodity prices (specific reference to crude oil prices) ◦ Major changes in business terms with the customers, suppliers and supply chain contracts ◦ Volume commitments as per customer and supplier contracts may remain unfulfilled due to decline in production during lockdown. This may result in penal consequences ◦ Detailed analysis and substantive procedures to be performed to validate the revenue ◦ Evaluate the likelihood of achieving forecasted revenue and margin by assessing order pipeline and post COVID monthly revenue run rate and cancellation rate

Quality of Earnings : Assessing impact on employee and other direct / indirect costs / income

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Key points	Guidance
Employee cost	Many businesses have been forced to make difficult personnel-related decisions. The financial or operational ramifications of such decisions need to be analyzed: ◦ Companies' remuneration policy may undergo changes viz. deferment or cut in payment of salary / bonus. The accounting treatment for such changes must be appropriately meted out viz. run rate adjustment and liability accrual for salaries and bonus deferred / retained and not provided for. Such deferred obligations would be debt like adjustment ◦ COVID may result in significant decline in operations with limited visibility on timing and pace of upturn. Hence, the companies may retort to significant retrenchment of employees vide severance payment ◦ There has been exodus of migrant labourers from workplace to their respective villages. The impact on labour cost and company's ability to hire required talent and cope up existing demand needs to be critically evaluated ◦ ESOP arrangements may need to undergo changes considering significant decline in market price of the company's equity share. ESOPs may need to be evaluated for exercise / non-exercise by the employees ◦ The assumptions with respect to salary increments, discount rate, employee attrition rate and employee benefits policy for the actuarial valuation of gratuity and leave encashment liability may undergo material changes resulting in reassessment of the actuarial liability
Other direct and indirect costs / income	Key considerations for other direct and indirect costs/income are as follows: ◦ **Rental cost and leases** may be renegotiated by invoking force majeure clause and there will be a need to assess revised agreements (including monthly rent, lease term, lease modifications and revenue recognition by lessor) and potential disputes/ disagreements ◦ **Selling, general and administrative cost** absorption on account of closure of business activities and inefficiencies in operations will need to be assessed ◦ **One-time expenses** on account of COVID including technology upgradation costs incurred to enable remote working, costs incurred to resume operations after shut-down, ongoing and one-time maintenance capex, cost of insurance coverage for COVID or similar risks, etc. ◦ Increase in **communication expenses** due to work from home and virtual meetings / video conferences. **Reduction in discretionary spend:** Need to analyze impact of reduction in discretionary spends such as advertisement, travel, etc. ◦ **Insurance:** Estimated probable compensation surrounding loss of profits and business disruption including timing of recognition of such claims needs to be analyzed

Net Debt : Impact on Net Debt due to business disruption

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- The completion mechanism within the transaction documents provides for adjustment to base price for Net Debt i.e. debt net of cash, Debt includes 'debt like items' and cash excludes 'trapped cash' / 'restricted cash'. Net Debt depends on how the transaction is structured and valued, i.e. what has been included/excluded by the parties already.
- Net debt adjustments are considered by the buyer depending upon the competitive bidding situation and preferences of the buyer in completing the transaction.

Key points	Guidance
Impact on Net Debt due to business disruption	The business disruption may result in following Net Debt adjustments: ◦ **Financial debt:** Understand the impact of moratorium of loan repayments and any specific restructuring package negotiated with banks. Assess penal consequences for breach of the key covenants per the restructured loan agreement ◦ **Cash & cash equivalents:** Considering the impact on money market instruments due to this pandemic, there is probability of material decline in value of such money market instruments. Hence, the market value of such instruments needs to be assessed. Also, in case the fund manager has imposed restriction on redemption of such instruments, such investments may no longer be classified as cash equivalent ◦ **Liquidated damages:** There could be claims of liquidated damages for non-fulfillment of off-take / supply commitments per the contracts with the customers and suppliers. While it should classify as revenue item from tax perspective, but, if it is paid for damaging a source of income then it could classify as capital item ◦ **Overdue trade payables:** Considering the crisis and tendency of the companies to conserve cash, judgement needs to be exercised in considering the normal credit period and overdue payables as debt like ◦ **Government grants:** Government grants for the pandemic outbreak, if any, needs to be evaluated for the element of certainty before considering as cash-like i.e. whether the company under consideration is eligible for the grant and the expected timing of grant ◦ **Discounted / factored trade receivables (with recourse):** If the discounted / factored trade receivables (with recourse) are disclosed as contingent liabilities, then such receivables need to be critically evaluated for recovery and if doubtful of recovery then the liability to the discounting / factoring agent to be considered as debt-like ◦ **Employee termination / severance payments:** Companies may have to reduce the headcount due to significant decline in business during the lockdown and slow uptick expected on resumption of the business post lockdown. In such eventuality, they may have to pay severance / termination payments to the outgoing employees. Such liability, if unpaid, to be considered as a debt-like item ◦ **Employee deferrals:** Such deferred obligations to be considered as debt-like, along with its likely tax implications ◦ **Reassessment of gratuity and leave encashment actuarial liability:** The assumptions with respect to salary increments, employee attrition rate and discounting factor considered for the actuarial valuation of leave encashment and gratuity liability may undergo material changes considering the ongoing crisis. Hence, actuarial valuation liability needs to be reassessed ◦ **Related party transactions:** Any related party balances to be considered as debt-like unless they are operational in nature based on discussions with the buyer and seller ◦ **Commitment and contingencies:** Deferred capex obligations and probable outcome of contingencies ◦ **Tax and legal exposures:** Recovery of deferred tax assets, tax exposures, legal exposures, etc.

Working Capital: Target WC to be determined basis monthly WC trends in the COVID era augmented by Management's judgement

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- In the common parlance, working capital is defined as current assets less current liabilities. From a transaction perspective, operating working capital is usually defined in the term sheet / transaction documents. There must be a common understanding of what constitutes working capital (WC) between the buyer and the seller.
- The WC mechanism in the transaction documents typically compares adjusted WC at closing to the Target WC and makes a purchase price adjustment in favour of the buyer or the seller if the actual WC is below or above the target WC, respectively

Key points	Guidance
Impact on WC and cash requirements	Considering the scale of the pandemic and disruption of businesses, the focus of the companies in the short and medium term will be on liquidity and cash conservation. This will significantly impact the trade WC due to depletion of inventory levels, focus on collection of receivables and delay of payables. Other constituents of the WC will also be impacted as tendency will be to focus on collections and delay payments. The monthly / quarterly WC and cashflow trends (historical and future) need to be analysed to understand WC trends under new normal. The impact on the WC components and additional substantive procedures to be performed comprise: ◦ Analysis of **receivables** to critically assess adequate provision for doubtful receivables or additional discounts passed to customers vide substantive procedures viz. balance confirmations, revenue to cash reconciliations, customer's ledgers review, testing of receivables ageing and subsequent receipt from customers ◦ **Inventory** valuation impacted by reduced movement in inventory, decline in selling prices due to reduction in demand / order cancellation for make to order inventory and inventory obsolescence due to lower than expected sales. Quantitative movement of inventory and inventory valuation to be critically evaluated ◦ With disruption in payment cycles, there will be a need to assess potential disputes and level of overdue payables
Determination of WC adjustment in the transaction context	It would be a challenge to define Target WC as historical trend in the WC would not be indicative of go-forward WC. Also, WC trend on opening of businesses post the lockdown will provide limited visibility due to relatively short period and businesses will need couple of quarters to understand the new normal. In this situation, critical analysis of the latest monthly WC trend on opening of businesses post the lockdown needs to be performed. Such WC is to be adjusted for one-off / non-recurring items. This is to be supplemented by management judgement of new normal to determine Target WC and WC adjustment.

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Section 3
Tax Diligence Considerations

Tax diligence in the new deal world would need to be deeper and more inquisitive than what prevailed earlier

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There have always been three focus areas around tax due diligence (1) historic tax risks (2) transaction costs (3) unlocking the company's hidden reserves

The thrust on these elements, would continue to exist even in the post pandemic scenario. However, the risk-bearing appetite of the transacting parties could be way different than what may had existed pre-Covid.

It would also be pertinent to check if the Company has suddenly resorted to any aggressive means in its tax affairs with an urge to save cash due to crisis. While it cannot be generalized to be always incorrect, but it needs deep analysis in terms of its sustainability and authenticity

Key points	Guidance
Transfer Pricing	Transfer Pricing and Place of Effective Management (POEM) concerns come in when the Group operations are spread in more than one country. If there are inter-group arrangements between entities located in different countries, then the same would be governed by Transfer Pricing provisions. If the group is compelled because of the crisis to significantly change its operating modalities – and this could be on account of people, or operations or Finances – then it may warrant a revisit to their existing pricing arrangements. This Pandemic may have compelled organizations to adopt to the remote working culture. Several organizations have also accelerated their Fintech and AI agenda to facilitate remote working. Additionally, the Government of many countries have been harping on Self-Sustainability agenda. All of these, could lead to Groups undertaking reallocation of Functions and Risks between countries. If that's done, then the Company may need to also revise the pre-COVID pricing policy between the group entities. This effectively means – have a relook from a Transfer Pricing perspective. Not to miss, that select reorganisation of operations could also lead to 'exit charge trigger' under Transfer Pricing, which too may have tax consequences. Due to the crisis, several countries including India, have made stimulus announcements. This could be in form of moratoriums, interest waivers, rate reductions, new lines etc. - all of them intended for cheaper and quicker liquidity to business. With the availability of these cheaper funds, the moot question would be - **whether there's a need for revising the pre-COVID benchmarks used by the Company for receiving debt from its group entity.** If there is local availability of cheaper funds, then paying higher debt-servicing costs to group entities could lead to controversy. One other aspect of Financing is the Guarantee Fee. Say a Company is availing Parental guarantee for its local borrowings, and there's a Fee arrangement in place pre-COVID. If the COVID has triggered downfall of credit ratings, then does it merit a revision in the earlier arrangement? Definitely worth pondering. There could be many other instances, and one must inquire whether Company has made any changes in the earlier TP arrangements. If yes, then – (a) whether they are adequate? (b) Do they pose any risk? It wouldn't be surprising if some of the companies even approach the tax authorities to renegotiate their APAs (Advance Pricing Arrangements) due to the changed circumstances. A careful examination of the actions taken by the Company, identification of risks, if any, under Transfer Pricing regulations and appropriate negotiation of protections against these risks would be important through the tax diligence exercise.
Place of Effective Management (POEM)	Likewise on the POEM side, the remote management compulsions could also lead to companies getting significantly managed from territories, that are outside its country of registration. In India, unlike the relaxations made in the residency rules for Individuals, no specific changes have been made thus-far in the POEM Rules for the management of a Foreign entity. Hence, such remote management from India could at present attract taxation on foreign entity profits at almost 43%. Incidentally, the International Tax body - OECD - has issued a paper to enable countries address PE Issues under the pandemic challenges. In fact, many countries like US, UK, Singapore, etc. have issued clear-cut guidelines using this in their domestic law. **However, unless the Indian Government also take some similar initiative around POEM, that risk remains hanging on remotely controlled entities today. The scope of Tax Diligence will have to be enlarged to particularly check if such risk prevails in the Company.**

Certain tax balances and exposures may be debt like in nature and impact valuation

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Tax Balances	The tax balances may be emphasized in three areas – (i) the Unabsorbed Tax losses, (ii) the MAT credit balances and (iii) the Deferred Tax Balances. Any unabsorbed loss - other than depreciation and speculative loss - is available only for 8 years. So while a Company may believe that it has a large bundle of past losses, which could be a valuable tax asset, what needs to be seen is whether the crisis impact would allow full utilization of these losses. If not, then its value must be discounted from the Purchase Price. Likewise, a similar situation may also exist for unabsorbed MAT Credits. Whether the compromised circumstances would allow full utilization of the MAT credits - is a question to be pondered. If not, then its value must be impaired, and discounted from the Purchase Price. There could be cases of deferred tax liabilities not provided in books. Take the case, if Company has any Investments in a Foreign Subsidiary. Pre-COVID, the Management may have believed that it will not need to bring-in any foreign dividends for a long time. Hence, they may have not provided for dividend tax on such foreign dividends in their DTL. If the pandemic is now likely to compel them bring back this cash, then the tax costs around it expected in the near term would need to be added in the deferred taxes, and of course, reduced from the purchase price. Apart from this, there would be another issue on tax-losses that may be relevant in the current times. If say, the Target has unabsorbed losses that it received from a merging company due to a past merger. Now any loss rolled-over consequent to a merger are governed by conditions of S. 72A. One of these conditions is, Target achieving prescribed capacity utilisation in 4th and 5th year of the transferred operations. Now, under the COVID circumstances - whether such utilisation is feasible and sustainable - is a question every buyer has to introspect. If not, then clearly the value of transferred losses should be discounted from the Purchase Price. A deep dive in all these areas, would be relevant while conducting a tax diligence in the new deal world.
Debt Restructuring Outside IBC	If the Company has undertaken any Debt Restructuring outside IBC due to the current crisis, tax implications under MAT provisions, S. 56, etc. should be duly examined as part of the tax diligence.
Indirect taxes	Except for certain reliefs in filing deadlines, administrative convenience and reduced interest rates (9% pa) on deposition delays, Indirect tax incidence for non-MSME businesses remains the same. Hence, a suitable indirect tax diligence is important to ensure that its associated risks are carefully plugged.
Other Adjustments	There could be several other adjustments which may have an Accounting impact but also relevant for tax examination. These may be recognition of stimulus benefits, insurance claims, treatment of sticky loans, revisions in ESOP conditions, Debts provisions vs. actual Write-off, etc.

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Section 4
Transaction Documents Considerations

Transaction Documents: Earn out definition, reps and warranties, indemnity and insurance considerations

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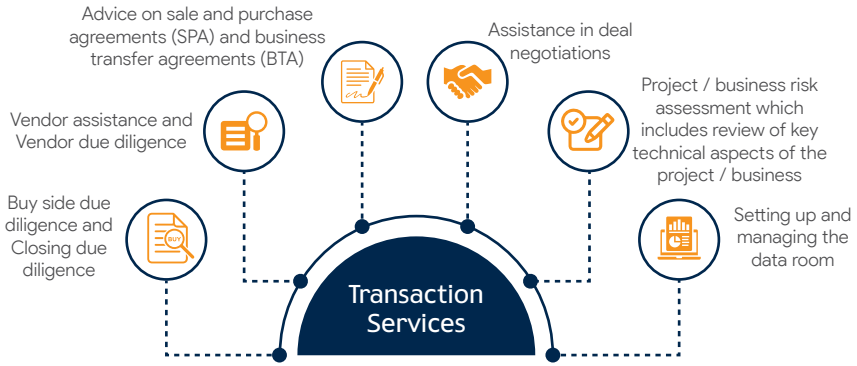
- Buyers and sellers will seek to mitigate some of the novel risks and challenges associated with the COVID pandemic through transaction documentation. The flexibility and understanding on part of the buyers and sellers while negotiating the transaction documents may facilitate transactions in this challenging environment.
- Some of the transaction documents considerations from financial & tax perspective are set out below

Key points	Guidance
Earn-out mechanism to become more prevalent in the transaction documents	◦ Buyers are expected to reduce purchase prices and shift a portion of the consideration to post-closing through earn-out mechanism on account of the business uncertainties. This would also allow sellers opportunity to share future growth and bridge valuation gaps ◦ Earn-out targets are commonly based on EBITDA or similar financial metrics, such as revenue or net income. The key business parameters in such structures viz. revenue and EBITDA and corresponding receivables and inventory need to be appropriately defined to provide a value certainty and not be left to ambiguity
Net Debt & Target WC definition	The transaction documents should clearly define the components of Target WC and Net Debt for the purpose of determining equity value and cash consideration at the time of closing. This becomes more relevant when the parties are not sure what normal business will look over the coming months.
Material Adverse / Force Majeure clause likely to be intensely negotiated	◦ While Material Adverse / Force Majeure clause is a common feature of the transaction documents, the negotiations for inclusions and exclusions under this clause are likely to be very intense while finalizing transaction documentation ◦ Buyers seem likely to insist on enlisting events such as pandemics, lockdowns, closure of international and domestic.boundaries as force majeure event, whereas the seller would want to push for a narrower definition. Buyers may also seek for cancellation option in the event of next wave of COVID or a similar crisis in the future till the time deal is not closed
Conditions Precedent and the Conditions Subsequent Clauses	With Parties becoming more conservative, emphasis on matters like Tax NOCs and WHT clearance, would increase. Also, if there are missing compliances like TP Study or revised tax filings to do away with any past incorrect action, then the same will be insisted as part of CP or CS clauses.
Reps & Warranties and Indemnity Clauses	◦ **Reps & Warranties:** Buyers and sellers should contemplate whether specific amendments need to be made to the transaction documents to appropriately consider reps & warranties for specific events such as COVID ◦ Sellers may seek to include specific disclosures to consider the effects of COVID. However, buyers may want to ensure that any such disclosures are sufficiently tailored to not overly limit the buyers' ability to recover for breaches of reps & warranties ◦ **Indemnity:** Parties that might have been open for shorter indemnity periods earlier, could now look to insist for a longer one. Generally for taxes the recommended period is 8 years, as the period of limitation under tax law is upto 7 years, and parties factor an extra year for any tax proceedings to complete
Insurance coverage for COVID risks	Buyers may seek insurance coverage for losses related to COVID and breach of warranties and indemnities provided by the seller. They may consider allocating certain COVID-19 risks to sellers, particularly where transactional insurance is not available for disclosed risks.

Transaction Services

RBSA Advisors, founded in 1971, is a leading independent Transaction Advisory firm with service offerings including Valuation, Investment Banking, Restructuring, Due Diligence, Transaction Tax, Risk Advisory and Litigation Support. With a team of more than 250+ professionals, RBSA is spread across 8 offices in India, Dubai and Singapore. RBSA has been consistently ranked amongst the top 2 M&A advisory firms by both MergerMarket and Venture Intelligence.

Our Transaction Services assist Clients in their growth, investment and divestment strategy right from strategic assessment at initial levels through to the closing of the transaction. Our due diligence team comprises experienced professionals from Transaction Services and Transaction Tax.



Our Leadership Team

Chetan Khandhadia - Managing Director & Head, Transaction Services

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Chetan comes with over 24 years of experience with Big 4 and international firm before joining RBSA in Dec 2019..

Chetan's expertise includes transaction support by performing financial due diligence and provide inputs on negotiations, transaction closing andtransaction documents, for buy side and vendor side, inbound and outbound transactions and transactions under IBC. He brings in business, commercial, valuation and tax aspects and deep understanding related to the transaction process. He has worked on several marquee M&A and PE transactions across various sectors

Sachin Shah - Executive Director, Transaction Services

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Sachin comes with over 20 years of experience with Big 4 and international firm before to joining RBSA in Dec 2019..

Sachin has provided a broad range of transaction support services including business and asset valuations, negotiation support and review of transaction agreements with a primary focus on financial due diligence. He has been involved in more than 250 transactions across sectors including several large and complex transactions and has deep understanding of M&A / PE deal process.

Ravi Mehta - Managing Director and Head, Transaction Tax

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Ravi comes with over 2 decades of tax and regulatory experience with Big 4s and international firm before to joining RBSA in Feb 2020.

Ravi has advised on large and complex M&A, corporate & business restructuring transactions including performing tax due diligences. He has served across sectors and supported wide spectrum of clients, including large business houses and owners, MNCs and PEs

RBSA's Services Spectrum

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Valuation

- Business & Equity Valuation
- Valuation of Brands, Goodwill, Other Intangible Assets & Intellectual Property
- Valuation of Financial Securities, Instruments & Derivatives
- Valuation of Industrial Assets and Plant & Machinery
- Valuation of Real Estate
- Valuation of Infrastructure Assets & Specialized Assets
- Purchase Price Allocations (PPA) for Mergers & Acquisition
- Impairment Studies for Tangible Assets
- Impairment Studies for Cash Generating Units, Intangible Assets & Goodwill
- Mines, Mineral Advisory and Valuation
- Valuation of ESOPs and Sweat Equity
- Valuation for Tax, Transfer Pricing and Company Law Matters
- Fairness Opinions
- Valuation under Insolvency & Bankruptcy Code (IBC)
- Determination of Swap Ratio under Mergers and Demergers
- Valuation of Inventory / Stocks and Debtors / Receivables
- Litigation and Dispute Valuation Services

Restructuring

- Insolvency Professional Services
- Assistance in the preparation of Resolution Plan
- Independent Bid Evaluation of Restructuring Proposals
- Process Advisor
- Advisor to Committee of Creditors / Creditor Advisory
- CRO services - Chief Restructuring Officer
- Priority and Interim Funding
- Turnaround Advisory and Business Transformation
- Interim Management Services

Transaction Services

- Buy side due diligence and closing due diligence
- Vendor due diligence and vendor assistance
- Setting up and managing dataroom
- Advice on sale and purchase agreements (SPA) and business transfer agreements (BTA)
- Assistance in deal negotiation

Risk Consulting

Strategic Risk Advisory Services
- Techno Economic Feasibility Studies & Viability assessment
- Business Plan Review

Technical Support Services
- Lender's & Investor's /Independent Engineer Services
- Technical Due Diligence, Technical Opinions
- Chartered Engineers Opinion & Certification
- Project Cost Investigation and Monitoring

Agency for Specialized Monitoring (ASM)
- Term Loan, Working Capital and Cash Flow Monitoring

Financial & Treasury Risk Advisory
- Assessment of risks - ALM, Credit, Market, Interest Rate & **Liquidity Risk**
- Asset Quality Review & Stress Testing
- Assessment of Expected Credit Loss

Business Risk Advisory
- Internal audits, Process and Internal Financial controls review
- SOP, policies and Authority level matrix development
- Supply chain improvement and Working capital optimization
- Enterprise Risk Management
- Regulatory compliance review

Investment Banking
(Category 1 Merchant Bank)

- M&A Advisory:
  - Sell Side & Buy Side
  - Domestic & Cross Border
- Partner Search, Joint Ventures & Strategic Alliances
- Government Disinvestment & Privatization
- Fund Raising – Equity, Mezzanine, Structured Finance & Debt (Corporate & Project Finance)
- Distressed Investment Banking – One-Time Settlement, Priority and Interim Funding, Rescue Financing, and Buyouts
- Capital Market Advisory

Transaction Tax

Deal Tax Advisory (Strategic, IBC, PE/VC)
- Tax Due-Diligence
- Tax Structuring
- Deal Negotiation Review
- Transaction Documentation Review
- Post-Deal Integration

Corporate Restructuring
- Group Restructuring
- Financial/Capital Restructuring

Succession Planning Holistic Implementation Support
- Merger/Amalgamation
- Demerger/Spin-off
- Capital Reduction
- Share Buyback
- Business Transfers
- Liquidation/Wind-up

Dispute & Litigation Support

- Valuation Services
- Damages & Loss of Profit Analysis
- Independent Expert testimony
- Anti-trust & Competition Advisory
- Post-Acquisition Disputes, Joint Venture & Shareholder Disputes
- Civil & Construction Disputes, Real Estate Disputes
- Intellectual Property Rights Dispute