

**PROFESSIONAL OPPORTUNITIES IN PRIVATE EQUITY  
FUNDING PROCESS**



**CA. Rajkumar S. Adukia**  
**B.Com (Hons.), FCA, ACS, ACWA, LL.B,**  
**DIPR, DLL & LP, MBA, IFRS(UK)**  
**098200 61049/09323061049**  
**email id: rajkumarradukia@caaa.in**  
**Website: www.caaa.in**

To download information on various subjects visit [www.caaa.in](http://www.caaa.in)

To receive regular updates kindly send test email to

[rajkumarfca-subscribe@yahogroups.com](mailto:rajkumarfca-subscribe@yahogroups.com)

[rajkumarfca+subscribe@googlegroups.com](mailto:rajkumarfca+subscribe@googlegroups.com)

**What is Private Equity**

Private equity is medium to long-term finance provided in return for an equity stake in potentially high growth unquoted companies. The investors' returns are dependent on the growth and profitability of the business.

Companies at various stages of development can avail of private equity to finance their plans. Private equity financing at the various stages of maturity of a company would be as follows:

- a. Seed stage Financing (provided to research, assess and develop an initial concept)
- b. Start Up Financing (for product development and initial marketing)
- c. Expansion stage Financing (for growth and expansion of a company which is breaking even or trading profitably)
- d. Replacement Capital Financing (for Purchase of shares from another investor or to reduce gearing via the refinancing of debt)

e. Buyout financing (investing in more mature companies with established business plans to finance expansions, consolidations, turnarounds and sales, or spinouts of divisions or subsidiaries)

### **Stages in the Private Equity Investment Process**

Private equity investment is typically a transformational, value-added active investment strategy. It involves investing in securities through a negotiated process which may consist of the following stages:

1. Assessment of need for Fund
2. Approaching the Private Equity Fund/ Advisor
3. Initial Enquiries and Negotiations/ Selection of PE Fund Advisor
4. Business Valuation
5. Preparing a Business Plan
6. Due Diligence
7. Term Sheet
8. Shareholders Agreement
9. Structuring the Deal / Final Negotiation and Deal Completion/  
Execution of Legal Documents
10. Exit Strategy

### **Important Documents Required in the Private Equity Process:**

1. Business Plan
2. Term Sheet
3. Warranties and Indemnities
4. Disclosure Letter
5. Shareholders' / Investors' Rights/ Subscription Agreement
6. Company's Memorandum and Articles of Association

### **Legislations having a bearing on Private Equity**

The Legislations, which will have a bearing on the Private Equity Deal, are:

1. Capital Market Regulations
  - Securities and Exchange Board of India Act, 1992
  - SEBI (Issue of capital & Disclosure requirements ) Regulations 2009
    - Chapter XIII- Guidelines for Preferential Issues
    - Chapter XIII A- Guidelines for Qualified Institutions Placement

- SEBI (Substantial Acquisition of Shares and Takeovers) Regulations 2011
  - SEBI ( Prohibition of Insider Trading ) Regulations 1992
  - SEBI (Foreign Institutional Investors) Regulations 1995
  - SEBI (Venture Capital Funds) Regulations 1996
  - SEBI (Foreign Venture Capital Investors) Regulations 2000
  - SEBI (Mutual Funds) Regulations 1996
  - Securities Contracts ( Regulation) Act,1956
2. Reserve Bank of India (RBI)
    - Foreign Exchange Management Act, 1999
    - Foreign Exchange Management Regulations
  3. Foreign Investment Promotion Board (FIPB)
  4. Income Tax Laws
    - Income Tax Act,1961
    - Double Taxation Avoidance Agreements
  5. Indian and International Accounting Standards
    - IAS 32- Financial Statements Presentation
    - IAS 39- Financial Instruments- Recognition and Measurement
    - IFRS 7 – Financial Instruments Disclosures
  6. Other Laws:
    - Companies Act,1956
    - Indian Trust Act,1882
    - Indian Contract Act,1872
    - Foreign Contribution (Regulation) Act, 2010
    - Limited Liability Partnership Act 2008
    - Listing agreement Clause 40A and 40B for Listed Companies
    - Unlisted Public Companies (Preferential Allotment) Rules, 2003.
    - Private Limited Company and Unlisted Public Limited Company (Buy Back of Securities) Rules 1999

### **Role of a Chartered Accountant (CA) in Private Equity Funding**

The CA can assist the company in the private equity process in the following ways:

1. Undertaking an Initial appraisal of Management's financing proposition
2. Preparation and advising on Business Plan
3. Business Valuation

4. Preparing financial model
  5. Planning the capital/ funding structure
  6. Review and appraisal of the terms of deal
  7. Negotiation on terms of deal
  8. Project management of transaction
  9. Advising on the future plans/ exit route etc.
  10. Due Diligence and reporting formally on the projections
  11. Advice on tax matters
  12. Advise on legal and Regulatory issues
  13. Auditing
  14. Risk Management
  15. Assistance in documentation
  17. Assistance in Mergers and Acquisitions
- 

### **About the Author**

***Rajkumar S. Adukia***

*B. Com (Hons.), FCA, ACS, AICWA, LL.B, M.B.A, Dip IFRS (UK), Dip LL & LW*

*Senior Partner, Adukia & Associates, Chartered Accountants*

*Meridien Apts, Bldg 1, Office no. 3 to 6*

*Veera Desai Road, Andheri (West)*

*Mumbai 400 058*

*Mobile 098200 61049/093230 61049*

*Fax 26765579*

*Email [rajkumarfca@gmail.com](mailto:rajkumarfca@gmail.com)*

*Mr. Rajkumar S Adukia is an eminent business consultant, academician, writer, and speaker. A senior partner of Adukia & Associates he has authored more than 34 books on a wide range of subjects. His books on IFRS namely, “Encyclopedia on IFRS (3000 pages) and The Handbook on IFRS (1000 pages) has served number of professionals who are on the lookout for a practical guidance on IFRS. The book on “Professional Opportunities for Chartered Accountants” is a handy tool and ready referencer to all*

## *Chartered Accountants.*

*In addition to being a Chartered Accountant, Company Secretary, Cost Accountant, MBA, Dip IFR (UK), Mr. Adukia also holds a Degree in Law and Diploma in Labor Laws. He has been involved in the activities of the Institute of Chartered Accountants of India (ICAI) since 1984 as a convenor of Kalbadevi CPE study circle. He was the Chairman of the Western Region of Institute of Chartered Accountants of India in 1997 and has been actively involved in various committees of ICAI. He became a member of the Central Council in 1998 and ever since he has worked tirelessly towards knowledge sharing, professional development and enhancing professional opportunities for members. He is a regular contributor to the various committees of the ICAI. He is currently the Chairman of Committee for Members in Industry and Internal Audit Standard Board of ICAI.*

*Mr. Adukia is a rank holder from Bombay University. He did his graduation from Sydenham College of Commerce & Economics. He received a Gold Medal for highest marks in Accountancy & Auditing in the Examination. He passed the Chartered Accountancy with 1st Rank in Inter CA & 6th Rank in Final CA, and 3rd Rank in Final Cost Accountancy Course in 1983. He started his practice as a Chartered Accountant on 1st July 1983, in the three decades following which he left no stone unturned, be it academic expertise or professional development. His level of knowledge, source of information, professional expertise spread across a wide range of subjects has made him a strong and sought after professional in every form of professional assignment.*

*He has been coordinating with various professional institutions, associations' universities, University Grants Commission and other educational institutions. Besides he has actively participated with accountability and standards-setting organizations in India and at the international level. He was a member of J.J. Irani committee which drafted Companies Bill 2008. He is also member of Secretarial Standards Board of ICSI. He represented ASSOCHAM as member of Cost Accounting Standards Board of ICWAI. He was a member of working group of Competition Commission of India, National Housing Bank, NABARD, RBI, CBI etc.*

*He has served on the Board of Directors in the capacity of independent director at BOI Asset management Co. Ltd, Bharat Sanchar Nigam Limited and SBI Mutual Funds Management Pvt Ltd. He was also a member of the London Fraud Investigation Team.*

*Mr. Rajkumar Adukia specializes in IFRS, Enterprise Risk Management, Internal Audit, Business Advisory and Planning, Commercial Law Compliance, XBRL, Labor Laws, Real Estate, Foreign Exchange Management, Insurance, Project Work, Carbon Credit, Taxation and Trusts. His clientele include large corporations, owner-managed companies, small manufacturers, service businesses, property management and construction, exporters and importers, and professionals. He has undertaken specific assignments on fraud investigation and reporting in the corporate sector and has developed background material on the same.*

*Based on his rich experience, he has written numerous articles on critical aspects of finance-accounting, auditing, taxation, valuation, public finance. His authoritative articles appear regularly in financial papers like Business India, Financial Express, Economic Times and other professional / business magazines. He has authored several accounting and auditing manuals. He has authored books on vast range of topics including IFRS, Internal Audit, Bank Audit, Green Audit, SEZ, CARO, PMLA, Antidumping, Income Tax Search, Survey and Seizure, Real Estate etc. His books are known for their practicality and for their proactive approaches to meeting practice needs.*

*Mr. Rajkumar is a frequent speaker on trade and finance at seminars and conferences organized by the Institute of Chartered Accountants of India, various Chambers of Commerce, Income Tax Offices and other Professional Associations. He has also lectured at the S.P. Jain Institute of Management, Intensive Coaching Classes for Inter & Final CA students and Direct Taxes Regional Training Institute of CBDT. He also develops and delivers short courses, seminars and workshops on changes and opportunities in trade and finance. He has extensive experience as a speaker, moderator and panelist at workshops and conferences held for both students and professionals both nationally and internationally.. Mr. Adukia has delivered lectures abroad at forums of International Federation of Accountants and has travelled across countries for professional work.*

***Professional Association:*** *Mr. Rajkumar S Adukia with his well chartered approach towards professional assignments has explored every possible opportunity in the fields of business and profession. Interested professionals are welcome to share their thoughts in this regard.*