

THE CAP TABLE HYGIENE CHECKLIST

Is your Startup "Due Diligence Ready" for Series A?

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The Golden Rule

"Investors do not invest in companies; they invest in shares. If the record of those shares is messy, the deal dies."

Use this audit to ensure your Cap Table reflects reality before you open your Data Room.

SECTION 1: The Math & Structure (The "Fully Diluted" View)

Most disputes happen here because founders look at "Issued Capital" while investors look at "Fully Diluted Capital".

- [] **The "Fully Diluted" Equation:** Does your Excel sheet explicitly calculate ownership *assuming* all ESOPs and Convertible Notes have converted? (If not, your % ownership is artificially inflated).
- [] **Convertible Notes / CCPS:** Are the *conversion triggers* (Discount %, Valuation Cap) clearly listed next to each investor?
- [] **Rounding Errors:** Are share percentages calculated to 2 decimal places? (e.g., 14.55% vs 14.5%). Rounding errors cause legal headaches during acquisition.

SECTION 2: The ESOP Pool (The "Incentive" Trap)

- [] **Pool Size vs. Grant Size:** Clearly distinguish between the *Authorized Pool* (Total set aside) and the *Granted Options* (Actually given to employees).
- [] **Vesting Schedules:** Are "Cliffs" (usually 1 year) and "Vesting Periods" (usually 4 years) clearly documented for every employee?
- [] **Exercise Price:** Is the Exercise Price defined for every grant? (Is it Face Value or Fair Market Value?).
- [] **Lapsed Options:** When employees left, did you return their unvested options *back* to the pool? (If not, you are wasting equity).

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SECTION 3: The "Dead Equity" Audit

- **Inactive Advisors:** Do you have advisors on the Cap Table with 0.5% or 1% who are no longer contributing? *Flag this for cleanup immediately.*
- **Ex-Founders:** If a co-founder left, was their unvested equity clawed back? Or are they holding "Dead Equity" that will dilute future investors?

SECTION 4: Regulatory & Compliance (The Deal Breakers)

- **Form PAS-3:** For every share allotment ever made, can you locate the specific ROC Form PAS-3 filing receipt?
- **Stamp Duty:** Have you paid stamp duty on all Share Certificates issued? (Digital or Physical). *Unstamped shares are not valid evidence in court.*
- **Share Certificates:** Do the Folio Numbers on the physical/digital certificates match the Cap Table rows exactly?

The "Red Flag" Scorecard

- **0 Unchecked Boxes:** You are Investor Ready.
- **1-3 Unchecked Boxes:** Minor cleanup needed.
- **4+ Unchecked Boxes: HIGH RISK.** Your valuation may be discounted, or the deal delayed.

Need a Professional Review?

Don't let a spreadsheet error cost you ₹1 Crore in equity.

I offer a **15-Minute Cap Table "Red Flag" Review**. I will look at your sheet (NDA compliant) and highlight the top 3 risks before you send it to investors.

[Click Here to Book Your Audit with CA Adityavikram Banka](#)