

# THE DUE DILIGENCE DATA ROOM CHECKLIST

# What Investors Expect Before the Term Sheet

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 INVESTOR READINESS

 DUE DILIGENCE

 FUNDRAISING

# Why Your Data Room Matters

"A messy data room tells investors your operations are messy too."

## The Time Cost of Unpreparedness

**6–12**

**Weeks**

Average time from term  
sheet to close

**2–6**

**Weeks Lost**

Time wasted due to data  
room gaps

## The Bottom Line

Investors form opinions about your business **before** they ever meet you. Your data room is your first impression — and it speaks volumes about how you run your company.

- 📄 Get organised **before** you start raising. Every week of delay costs you momentum, credibility, and potentially the deal itself.

# Corporate Documents

The foundation of every investor's legal review. These documents establish the legitimacy and governance structure of your company.



## Certificate of Incorporation

Certificate of Incorporation along with Memorandum of Association (MOA) and Articles of Association (AOA)



## Board Resolutions

All board resolutions filed in chronological order — investors will trace every major decision



## Shareholder Agreements

All shareholder agreements and any side letters — nothing should be undisclosed



## Register of Members

Register of Members as required under Section 88 of the Companies Act



## Share Certificates

All share certificates with corresponding stamp duty payment proof

# Cap Table & Equity

Investors will scrutinise your equity structure in detail. Any inconsistency between your cap table and ROC filings is a red flag that can stall or kill a deal.

## → Fully Diluted Cap Table

Current, fully diluted cap table showing all shareholders, ESOPs, and convertible instruments

## → ESOP Scheme Documents

Special resolution, individual grant letters, and independent valuer report for the ESOP pool

## → Convertible Instrument Terms

Full terms for all SAFEs, Compulsorily Convertible Debentures (CCDs), and CCPS instruments

## → Cap Table Reconciliation

Reconciliation of your cap table with all ROC filings — discrepancies must be resolved before diligence

## → Form PAS-3

Filed Form PAS-3 for every single allotment of shares made by the company

## Why This Section Is Critical

The cap table is the single most scrutinised document in any fundraising. Investors need to know exactly who owns what — and that the numbers match the government records.

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Common issues that delay deals:

- ESOP pool not formally approved
- Convertible notes not reflected in diluted cap table
- PAS-3 filings missing for older allotments
- Mismatch between cap table and ROC records

# Financial Statements

Your financials tell the story of your business in numbers. Investors will verify every figure — gaps or inconsistencies here are deal-breakers.



## Audited Financials

Last 3 years of audited financial statements — Balance Sheet, P&L, and Cash Flow



## Management Accounts

Current year management accounts with monthly breakdowns — shows real-time business health



## Tax Returns

Income Tax Returns (ITR), GST returns, and TDS filings — all must be current and consistent




## Bank Statements

Last 12 months of bank statements for all company accounts



## Liabilities

Schedule of all outstanding liabilities and contingent liabilities — disclose everything

 **Pro Tip:** Ensure your management accounts reconcile with your audited financials. Unexplained variances will trigger deeper scrutiny and delay the process significantly.

# Compliance & Regulatory

Regulatory non-compliance is one of the most common reasons deals fall apart at the diligence stage. Investors — especially institutional ones — cannot close into a non-compliant entity.

## Domestic Compliance

### ROC Annual Returns

All annual returns filed with the Registrar of Companies — must be up to date

### Director KYC

DIR-3 KYC status for all directors — lapsed KYC can freeze company filings

### GST Compliance

GST registration certificate and all GST returns filed on time

### Labour Compliance

Professional Tax, Provident Fund (PF), and ESI compliance records

## Cross-Border / FEMA Compliance

If your company has received foreign investment or has cross-border transactions, FEMA compliance is non-negotiable for foreign investors.

### FC-GPR

Filed for every foreign investment received — must match cap table allotments

### APR (Annual Performance Report)

Annual Performance Report filed with RBI for all foreign investments

### FLA Return

Foreign Liabilities and Assets return filed annually with RBI

# Contracts & Intellectual Property

Investors are buying into your future revenue and your competitive moat. Contracts and IP documents prove that both are real, protected, and transferable.



## Key Customer Contracts

Top 5–10 customer contracts by revenue. Investors want to see ARR quality, renewal terms, and any termination clauses that could affect business continuity.



## Vendor & Supplier Agreements

Material vendor and supplier agreements — especially those critical to product delivery or operations. Highlight any single-source dependencies.



## Employment Contracts

Employment contracts for all key personnel, including founders. Confirm notice periods, non-solicitation clauses, and IP assignment provisions.



## IP Assignment Agreements

Signed IP assignment agreements from all founders, employees, and contractors who contributed to building the product or technology.



## Non-Compete & NDAs

Non-compete agreements and NDAs with key employees, advisors, and partners — protecting your competitive advantage.

# Legal

Legal risks are the final frontier of due diligence. Undisclosed litigation or missing approvals can unravel a deal even after a term sheet is signed.

## 1 Pending Litigation & Regulatory Notices

Full disclosure of all pending litigation, regulatory notices, show-cause notices, and demand orders — from tax authorities, labour courts, or any other body. Investors will find these; it is better to disclose proactively.

## 2 Change-of-Control Provisions

Material contracts that contain change-of-control clauses must be identified. A new investor coming on board may trigger these provisions, requiring consent from counterparties.

## 3 Insurance Policies

All active insurance policies — Directors & Officers (D&O), product liability, property, and key-man insurance where applicable.

## 4 Government Approvals & Licences

All government approvals, licences, and registrations required to operate your business — sector-specific licences, DPIIT recognition, FSSAI, drug licences, etc.

## The Disclosure Principle

In legal due diligence, **what you don't disclose is more dangerous than what you do.**

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Investors build representations and warranties into the investment agreement based on your disclosures. Undisclosed issues discovered post-closing can lead to:

- Indemnity claims against founders
- Renegotiation of deal terms
- Deal termination
- Reputational damage

# The "Investor Speed" Checklist

If you can produce these **5 things within 24 hours** of an investor asking, you are investor-ready. This is the minimum viable data room — the baseline that signals you are a serious, organised founder.



## Fully Diluted Cap Table

Current, accurate, and reconciled with ROC filings — showing all shareholders, ESOPs, and convertible instruments



## Last 3 Years Audited Financials

Signed audited financial statements for the last three financial years — no exceptions



## Current Month P&L

Month-to-date Profit & Loss statement showing current year performance — demonstrates real-time financial awareness



## ESOP Scheme Summary

One-page summary of your ESOP scheme — pool size, granted, vested, unvested, and exercise price



## Data Room Index with Links

A clean, organised index of your data room with working links — shows professionalism and saves investor time

**The 24-Hour Test:** Run this test with your team today. If it takes more than 24 hours to produce any of these five items, that is your first priority — before you send a single pitch deck to any investor.

# Want a Free Data Room Audit?

We review your data room structure and flag gaps **before investors do** — so you walk into every conversation with confidence.

## What You Get

### → Gap Analysis

A detailed review of your data room against the investor-standard checklist

### → Priority Action List

A prioritised list of documents to fix, file, or prepare before your next investor meeting

### → Compliance Check

Quick scan of ROC, FEMA, and tax compliance status to flag any red flags

## Book a Quick Call

A 30-minute call is all it takes to identify the gaps that could cost you weeks — or the deal itself.

[Book Your Free Audit Call](#)

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 CHARTERED ACCOUNTANT

 STARTUP ADVISORY