

# Due Diligence as a tool to gain confidence

## ARE YOU SEEKING A LENDER/INVESTOR WITHOUT DUE DILIGENCE FEES?



**Ravshan Talipov**  
**CONCORD CAPITAL**

*In collaboration with  
H. Smith & V. Michka*

**A High-quality professional Business Plan with real data and figures is the best Guarantee!**

There is always long and extraordinary process of “courtship” in between the Lender/ Investor & Client and that process of close examination and study is called Due Diligence. This process is the longest one among other stages of the lending/investment course. It may last up to several months. This process will lead to the final decision. Either a positive acceptance or denial of the project will be issued. All figures are put on the examination table to see if there is merit to the company and proposed project. When a positive decision is made, the lending/investment offer is issued with all conclusions and summarized in aim to forward that result of the offer to the loan/investment committee which will issue definitive “recommendations”. With the executed offer the process is nearly completed and the final decision from the Investor will lean on external evidence of Due Diligence executed by highly skilled experts and, certainly, rely on their post processing.

**Question:** *What guarantee from the Investor does the Client have that the Business Plan will be approved?*

**Answer:** *A High-quality professionally prepared Business Plan with real data and figures is the best Guarantee that will appeal to the Investor. All the data's are verified thoroughly.*

**Question:** *Who requires this and who is to pay the bill for the process?*

**Answer:** *The one who is looking for a loan/Investment is the one who pays the bill for due diligence. To secure the Loan/Investment the Lender/Investor has to be convinced that his Funds are multiplied and not lost, which is the core of the Loan/Investment. Because the lender/investor is willing to put up serious amounts of money for the loan/investment it is necessary to collect Full, Authentic, External Evidence and certain Absolute data of merit of the business, the country market, company's financial standing and study Business Plan thoroughly. A beautifully-looking Business Plan is not necessarily a solid one. Many times a simple business plan with accurate information is preferred over the overdone nonsense. One thing each business plan needs is a section on Political climate. Is tax situation favorable or is it backbreaking? All reefs must be put on the table and checked out in order to find the solutions that must be transparent! Almost always the Due Diligence saves the Clients money.*

## WHAT IS DUE DILIGENCE ABOUT AND THE PURPOSES?

Due Diligence – is all-round and thorough study of the company activities and Business Plan, financial standing and market place. Due diligence will show proper value to what the Lender/Investor requires in the collect of full and thorough information which

will verify submitted information and analysis based upon standard practices, data of competitors and partners, all to be carried out as follows:

- To verify financial and other company's affairs;
- To make confirmations on the proposals provided within Business Plan;
- To merit realization of company's capacity in the short-term and long-term strategy;
- To be convinced in proper and accurate drawing up the documents and correspondence by them to the legislation and company's affairs;
- To certify in correct and due submission tax and statistic reports;
- To estimate competition company's market place, where it has its activity;
- To be convinced that the company's administration is competent to carry on intended plans.

The information is thoroughly studied by single purpose specialists, summarized and consolidated analysis is made. Highly skilled specialists will carry out that analysis through investigation of the all the figures of merit of the business, market, financial standing of the company. **Those specialist are – market specialist, attorneys, auditors, financier and economists will study create prototype of the Business Plan, design forecasting on future return, forecast any risks and other factors based upon different formulas. Hereinafter, lean on those evidences of study, investigations verified data and digits of Business Plan Investor then definitely will establish his readiness to Lend/Invest: So, the guarantee of the success is your Business Plan.**

## ***DUE DILIGENCE TYPES***

**Financial Due Diligence:** The Initial stage of thorough study is financial analysis (*Financial Due Diligence*), this process determines the ability of the company to bring a profit and the probability of the success of the project.

Procedure of financial Due Diligence is carried out through the study of company's assets, incomes, financial ratio, financial planning scheduling and control, and other needed documentation. In aim to meet maximum efficiency it is necessary to combine this with full auditing of the company. This type studies are as follows:

- The safety check of financial structure and internal control system of the company;
- The analysis of the risk control;
- The analysis of the budget, financial planning;
- The analysis of the declared commercial benefits of the business;
- The audit of financial documentation in corresponding with legislation;
- The audit of the accounting.

The Lender/Investors must be confident to exclude any factors of financial risks where they are ready to invest in the project, which guarantees earnings to both you and Lender/Investor.

**Tax Due Diligence:** The main purpose of this investigation (*Tax Due Diligence*) of the company is to carry out the possibility of tax burden optimization, to define the most impartially prospective tax burden, reveal and merit all tax risks, and if possible effectively and legally exclude them.

Tax Due Diligence is a real opportunity to protect the business of possible financial damage caused by wrong taxation planning.

**Legal Due Diligence:** Analysis (*Legal Due Diligence*) of legal issues of the business aims to study the company's activity with correspondence of standard acts of civil, labor, corporative, currency, tax rights. Within Legal Due Diligence are company's regulations, the Agreements with contractors, and personnel are investigated for the reason to exclude the most potential and essential risks.

Business security must be main issue in carrying out of commercial activity.

**Environmental Due Diligence:** It is carried out to determine the influence the company's activities may have upon the location of the business (*Environmental Due Diligence*). Within that the risks are defined and evaluated which might influence on the ecology and environmental-friendly Governmental proceeds with its disadvantages. This kind of investigations reveals effects influenced on the environment and ecology with acts carried out earlier.

This analysis and study made are based on company's activity in the past time.

When working with the Lender/Investor to carry out Environmental Due Diligence might be the key matter to appeal to the Lender/Investments. Moreover, this will show all possible sanctions and penalties that might arise or be created by the Government. So, the performance of Environmental Due Diligence may have massive implications as to the success of the business.

**Market Due Diligence:** The analysis of the place on the market is Market Due Diligence. Thorough study of this stage is to reveal the ability, possible capacity of the company, and its technology to compare with market demand, activity of the company and other players in the market. The main goal of the analysis of the market place is:

- To define company position in the competitive market;
- Analysis of the potential ability and development of the market in the long-term;
- Cover of prospective percentage of market niche;
- Rate of possible company development with market dynamics.

Besides, Lender/Investors define the rates on the profit and consider the modes with future corrections either in further sale of Investments or restricting the loan.

To carry out of Market Due Diligence will allow forecasting both particular development on the certain market and making analysis current ability of the certain company in present and in the future.

Market Due Diligence will allow Investors to evaluate the company in competitive circumstance and fairly will submit ability of the development and advancement.

As a result of this thorough investigations full, fair, and reliable information about

company activity and long-term development is collected. A cross check of the data is executed on at different stages from data collected earlier.

**Eventually, after carried out overall analysis of the company's financial standing, the relationships with Government and contractors, the report is issued where the Lender/Investor will find complete and full required information of the company he is going to lend/ invest the Funds into. Fair and reliable information provided will allow Investor to make independent and most adequate decision at that time.**

Concord Capital is able to assist you in raising your capital effectively, and can appeal to strategic and single purpose Lender/Investors, where your business will find stability and confidence in the future.

For further information regarding Investments contact:

Ravshan Talipov, VP of Asian Operations

[rtalipov@concordcapitalonline.com](mailto:rtalipov@concordcapitalonline.com)

CONCORD CAPITAL [www.concordcapitalonline.com](http://www.concordcapitalonline.com)