



# LEGAL HEALTH CHECK

A legal health check is a detailed review and assessment of an organization's policies, procedures, submissions, documentation, etc., in order to assess legal risks, exposures and readiness to defend against potential liabilities.

It lays down the foundation for setting up of ongoing legal compliances and prevention programs to maintain consistency of organization's goals and operations with the latest developments/ amendments under the laws in force.

## Rationale/Benefits for conducting a legal health check:

- ▶ Corporate Governance
- ▶ Helps ensuring revamping of business, planning, and implementation
- ▶ Legal Documentation Review
- ▶ Intellectual Property Protection
- ▶ Minimizes future litigations
- ▶ Compliance Assessment
- ▶ Employment Law Compliance
- ▶ Data Protection and Privacy
- ▶ Regulatory Changes and Updates
- ▶ Reputation and Investor Confidence
- ▶ Expeditious achievement of goals

## Methodology followed for legal health check



Understanding the current business structure, types of contractors, location of the premises of the Organization;



Organize meetings with the representatives of the organization to understand the short and long term goals of the Organization;



Procure information/documents, Review and assess Commercial Agreements, Review of shareholders agreements, property details, insurance details, and policies & Review the registers and records maintained by the Company under various laws;



Assessing the situation of Company on the basis of documents and information procured, Review and assess Corporate Secretarial, Labour & Employment, and Environmental Laws applicable on the Organization based on its business activities.

# What does Legal Health Check cover?

The Legal Health Check may comprise of review and analysis of various laws indicated as under:

- ▶ Companies Act, 2013
- ▶ Foreign Exchange Management Act (FEMA), 1999
- ▶ Industrial and Employment related laws such as Factories Act, 1948, Payment of Bonus Act, 1965, Shops & Establishment Act, 1954, The Contract Labour Registration Act (CLRA), 1970, The Payment of gratuity Act, 1972, The Minimum Wages Act, 1948, Employees Provident Fund & Miscellaneous Provisions Act, 1952, Employees' State Insurance Act, 1948, etc.
- ▶ Sexual Harassment of Women at Workplace (Prevention, Prohibition, and Redressal) Act, 2013
- ▶ The Maternity Benefit Act, 1961
- ▶ Environment Protection Act, 1986

The above list is only an Indicative List. The list of laws would vary depending on the nature and type of specific industry such as manufacturing business, logistics business, Pharmaceutical business, IT business, e-commerce business, energy and Infrastructure business, etc.

The need to go for a legal health check has gained lot of importance in the recent past due to reasons including but not limited to below stated reasons:

- 01** Rise in Merger & Acquisitions and Investments: The surge in mergers and acquisitions (M&A) and investments in India necessitates detailed and systematic legal scrutiny. Health check ensures that buyers and investors have a clear understanding of the target's legal standing, reducing post-transaction risks, etc.
- 02** Increasing Legal Complexities: Indian business and regulatory landscapes have become more complex, leading to a higher risk of legal issues. Companies recognize the need to proactively identify and manage potential risks through legal health check.
- 03** Compliance and Regulatory Scrutiny: Stricter compliance requirements and increased regulatory scrutiny have compelled companies to prioritize legal health check. Non-compliance can result in hefty penalties, reputational damage, and even legal consequences.
- 04** Enhanced Risk Management: Businesses has recognized the importance of robust risk management strategies. In this regard, Legal health check helps identify and assess legal risks, enabling companies to implement appropriate risk mitigation measures.
- 05** Reputation and Brand Protection: Companies and investors understand the importance of maintaining a strong reputation and protecting their brand. Legal health check helps identify any potential legal issues that may impact the company's reputation and brand image.



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## **MBG has a comprehensive program to assist you...**

MBG runs a holistic and comprehensive program for conduct of Legal Health Check which inter alia involves the following micro steps:

- ▶ Analyzing the existing compliances required to be undertaken under applicable laws;
- ▶ Review of the documents prepared and/or definitive agreements executed by the Company vis-a-vis applicable legal provisions;
- ▶ Accumulate the information gathered and formulate a detailed representation of the findings on compliances required by the Company;
- ▶ Preparation of the draft Report for discussions purposes;
- ▶ Conducting meetings with the management of the Company for discussions on the key findings and/or observations of the Report;
- ▶ Finalization and submission of the Final Report.



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