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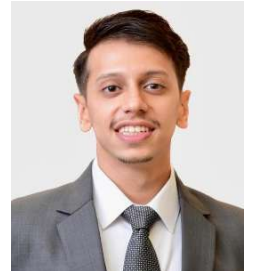
2025



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***You cannot control what happens to you, but you can
control your attitude toward what happens to you,
and in that, you will be mastering change rather
than allowing it to master you.***

-Brian Tracy

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SAMĀCĀRA – AUGUST 2025

EDITORIAL

Dear All,

As we step into the month of August, our hearts resonate with the spirit of independence, pride, and purpose. The tricolour that will soon flutter in every corner of our nation reminds us not only of the historic struggle for freedom, but also of our ongoing duty as professionals—to uphold the values that make that freedom meaningful: truth, transparency, and trust.

Independence is not merely a political milestone; it is a daily commitment. For us at SPCM, professional independence is the foundation of every opinion we issue, every audit we conduct, and every piece of advice we offer. It empowers us to speak with honesty, act with integrity, and serve without fear or favour.

As we celebrate the 78th Independence Day of India, we are reminded that freedom comes with accountability. In our profession, that accountability extends to regulators, clients, investors, and—above all—the public. Amid growing expectations from auditors, tax professionals, and advisors, we must continue to be vigilant stewards of financial propriety and ethical standards.

August also marks a pivotal shift—from the ITR filing season to a phase of deeper analysis and assurance. With GST Annual Returns, RERA compliances for Form 3, Form 3CD, and Section 44AB Tax Audits on the horizon, the coming quarter demands intense focus and meticulous

execution. Our teams are already well-prepared—setting up internal review checklists, engaging in deliberations on grey areas of reporting, and gearing up for audit engagements.

In a world flooded with data and accelerated by technology, clarity and consistency in our deliverables define our professional worth. That is why we remain committed to peer review mechanisms, knowledge-sharing forums, and client education initiatives. Precision is not just a practice—it is our promise.

On the litigation and representation front, the landscape is evolving rapidly. With AI-enabled faceless assessments, AIS-TIS reconciliations, and enhanced scrutiny under Sections 68, 69, and 270A, our Litigation Support and Advisory Team is actively strategising—drawing insights from judicial precedents and preparing robust documentation frameworks to help our clients stand firm on the twin tests of logic and law.

We are also witnessing an important macroeconomic milestone—India recorded its highest-ever monthly GST collection in July 2025, crossing ₹1.85 lakh crore. This not only reflects growing formalisation of the economy and improved compliance, but also reaffirms the role of tax professionals in shaping a transparent, efficient indirect tax system. At SPCM, we are committed to enabling businesses to align seamlessly with evolving compliance frameworks and contribute meaningfully to nation-building.

On a personal note, I had the opportunity to engage in two meaningful events last month:

- I was invited by Career Mantrana as a guest on their podcast “CA Beyond Books”, where we explored how the chartered accountancy

profession is evolving beyond numbers—into law, leadership, and lifelong learning.

- I also had the privilege to serve as a Judge at the Annual Raghvendra Phadnis Intra-College Moot Court Competition – 2025, organised by ILS Law College, Pune. It was truly inspiring to witness the legal acumen, articulation, and advocacy skills of budding law students—the future defenders of justice and truth.

This month also invites us to pause and reflect. The observance of Paryushan and Das Lakshan Parva reminds us of the timeless power of introspection, silence, forgiveness, and ethical conduct—virtues that align beautifully with the core values of our profession. May this sacred period inspire us to act not only intelligently, but also conscientiously. August is also a month of vibrant celebrations, echoing the richness of our cultural and spiritual heritage:

- Raksha Bandhan (August 9) reaffirms the sacred bond of protection and trust—virtues we uphold in every client relationship.
- Independence Day (August 15) calls on us to renew our commitment to ethical freedom and responsible citizenship.
- Krishna Janmashtami (August 16) reminds us of the power of wisdom, resilience, and divine joy in navigating life's challenges.
- Paryushan Parva (August 20–27) inspires inner cleansing and spiritual growth.
- Ganesh Chaturthi (August 27) ushers in the divine force that removes obstacles and blesses us with new beginnings.

May each of these festivals enrich our lives with renewed energy, reflection, and purpose—both personally and professionally.

We are also proud to share a few notable updates from the SPCM family:



- **Abhay Bora and Riddhi Bora have completed 8 days of Upvas, demonstrating deep spiritual devotion and inner focus.**
- **CA Chetan Parakh, Mrs. Chetana Parakh, and Kumari Prapti Parakh have also observed 8 days of Upvas, a testament to their discipline, commitment, and purity of thought.**

These personal journeys of restraint and reflection deeply resonate with our shared commitment to ethical and purposeful living.

August reminds us that while freedom is a right, integrity is a responsibility. Whether we are navigating a complex audit or preparing a late-night tax brief, let us continue to serve with the conviction that our profession is a service to truth, to the system, and to society.

We conclude with the timeless words of Sardar Vallabhbhai Patel, whose ideals continue to guide our profession:

“Take to the path of duty, and all else will follow.”

May this August inspire each one of us to walk that path—with diligence, dignity, and devotion.

Thanking You,

With Warm Regards,



CA. Suhas P. Bora
Founder Partner,
SPCM and Associates,
Chartered Accountants

**GLIMPSE OF EVENT**

Our Mentor, CA Suhas P. Bora sir, was invited by Career Mantrana as a guest on their podcast on the topic “CA Beyond Books”, where they explored how the chartered accountancy profession is evolving beyond numbers—into law, leadership, and lifelong learning.





Our Mentor, CA Suhas P. Bora sir, was invited to Judge at the Annual Raghvendra Phadnis Intra-College Moot Court Competition – 2025, organized by ILS Law College, Pune.

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No.LC/ LOA-RPMt-25 /2025

August 02, 2025

To,

CA Suhas Bora

Subject: Letter Of Appreciation

On behalf of the Organizing Committee of the Annual Raghavendra Phadnis Intra-College Moot Court Competition, 2025, we extend our heartfelt appreciation to you for gracing the Semi-Final Round of the competition as a Judge.

We are truly honoured by your presence and deeply grateful for the time, effort, and expertise you so generously shared with our students. Your insightful feedback and encouraging words have not only inspired our budding mooters but will also play a vital role in shaping their skills and confidence as they move forward in their mooting journey, both at ILS and beyond.

Your support is invaluable to us, and we sincerely hope to continue receiving your guidance and encouragement in our collective effort to nurture the spirit of mooting at ILS Law College.

Thank you once again for your time, generosity, and commitment.

With sincere appreciation,

Ms. Divya Mittal
Assistant Professor
Faculty Coordinator, ILS Advocacy Skills Department
ILS Law College, Pune




DUE DATES
Income Tax due date calendar for the month of August 2025:

DATE	DUE DATE FOR
07-08-2025	Due date for deposit of Tax deducted/collected for the month of July, 2025. However, all sum deducted/collected by an office of the government shall be paid to the credit of the Central Government on the same day where tax is paid without production of an Income tax Challan.
14-08-2025	Due date for issue of TDS Certificate for tax deducted under section 194-IA, 194-IB, 194M and 194S in the month of June, 2025.
15-08-2025	- Due date for furnishing of Form 24G by an office of the Government where TDS/TCS for the month of July, 2025. - Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending June 30, 2025.
30-08-2025	Due date for furnishing of challan-cum-statement in respect of tax deducted under section 194-IA, 194-IB, 194M and 194S in the month of July, 2025.
31-08-2025	Application for exercise of option under clause (2) of the Explanation to sub-section (1) of section 11 of the Income - tax Act, 1961 (if the assessee is required to submit return of income on October 31, 2025))

**GST due dates for the month August 2025: -**

DUE DATE	RETURN	PERIOD	DESCRIPTION
10 th August	GSTR-7 (Monthly)	July'25	Summary of Tax Deducted at Source (TDS) and deposited under GST laws.
10 th August	GSTR-8 (Monthly)	July'25	Summary of Tax Collected at Source (TCS) and deposited by E-commerce operators under GST laws.
11 th August	GSTR-1 (Monthly)	July'25	Summary of outward supplies where turnover exceeds Rs.5 crore or have not chosen the QRMP scheme for the quarter of July-September 2025.
13 th August	Furnishing Invoices in IFF Facility (Quarterly)	July-September 2025	Taxpayers who have opted for the Invoice Furnishing Facility (IFF) and choose to upload B2B outward supply invoices for first two months of the quarter. The B2B invoices relating to last month of the quarter are too uploaded while filing GSTR – 1 along with B2C invoices of entire quarter.
13 th August	GSTR-6	July'25	Details of ITC received and distributed by ISD.
13 th August	GSTR-5 (Monthly)	July'25	Summary of outward taxable supplies & tax payable by a non-resident taxable person.

DUE DATE	RETURN	PERIOD	DESCRIPTION
20 th August	GSTR-3B (Monthly)	July'25	Summary of outward supplies, ITC claimed, and net tax payable for taxpayers with turnover more than Rs.5 crore in the last FY or have not chosen the QRMP scheme for the quarter of July-September 2025.
20 th August	GSTR-5A (Monthly)	July'25	Summary of outward taxable supplies and tax payable by OIDAR.

***When I stand before God at the end of my life, I would hope
that I would not have a single bit of talent left and could say, I
used everything you gave me.***

—Erma Bombeck

INCOME TAX

TAX AUDIT: CHAPTER 12

TAX AUDIT - CLAUSE 27 TO 29 OF FORM NO. 3 CD

We have started with a series on Tax Audit u/s 44AB of the Act considering practical aspects to be taken care of for issue of the Tax Audit reports.

In chapter - 1 we discussed about the applicability of Tax Audit u/s 44AB of the Income Tax Act.

In chapter - 2 we discussed about the meaning of the terms "Sales", "Turnover" and "Gross Receipts".

In chapter – 3 we discussed about "Clauses 1 to 8A of Form No. 3 CD."

In chapter – 4 we discussed about "Clauses 9 to 12 of Form No. 3 CD"

In chapter – 5 we discussed about "Clauses 13 of Form No. 3 CD"

In chapter – 6 we discussed about "Clause 14 and 15 of Form No. 3 CD"

In chapter – 7 we discussed about "Clause 16 and 17 of Form No. 3 CD"

In chapter – 8 we discussed about "Clause 18 to 20 of Form No. 3 CD"

In chapter – 9 we discussed about "Clause 21 of Form No. 3 CD"

In chapter – 10 we discussed about "Clause 22 of Form No. 3 CD"

In chapter – 11 we discussed about " Clause 24 to 26 of Form No. 3 CD"

In the series of Article on Tax Audit provisions, we will discuss about "Clause 27 to 29 of Form No. 3 CD"

Clause 27: CENVAT Credit/Prior Period Items:

Clause 27(a) - Amount of modified value added tax credits availed of or utilized during the previous year and its treatment in the profit and loss account.

- The Tax Auditor should obtain the list of CENVAT Credit Availed and Utilised by the Assessee during the relevant period. If list is not available then scrutinize the CENVAT Ledger.
- It should be ensured that amounts as presented in the returns matches with the underlying records and books of account.
- If there is any mismatch between accounting records and Excise/Service records, check whether Reconciliation in respect of such difference has been prepared.
- Since implementation of GST, central excise duty is leviable only on 6 products, i.e., petroleum crude, diesel, petrol, aviation turbine fuel, natural gas and tobacco. Reporting under this clause should be restricted only to these items.
- The Schema available on the ITD website, also includes ITC (GST), however as the same has not yet been duly notified by CBDT, hence the same may not be reported.



Clause 27(a) - Amount of modified value added tax credits availed of or utilized during the previous year and its treatment in the profit and loss account.

- The concept of Prior Period Items is applicable only in case of Mercantile System of Accounting.
- Material adjustments necessitated by circumstances which though may relate to earlier years, but determined in current year, should not be considered as prior period.
- The Tax Auditor should obtain the list of Prior Period Items identified by the Assessee.
- Verify the disclosure made in the Financial Statements as per AS-5 / Ind AS 8.
- The Tax Auditor should scrutinize various Expenditure/Income Accounts to ensure such items are accounted in the Relevant Previous Year.

Clause 28: Acquisition of Shares Covered u/s 56(2)(viiia):

- Provisions of section 56(2)(viiia) are not applicable w.e.f. AY 2018-19.
- In this clause mention – NA.

Clause 29: Whether during the previous year the assessee received any Consideration for issue of shares which exceeds the fair market value of the shares as referred to in section 56(2) (viib), if yes, please furnish the details of the same.

- Section 56(2)(viib) provides that where a company, not being a company in which the public are substantially interested, receives, in any previous year, from any person (being a resident omitted from AY 2024-25), any consideration for issue of shares that exceeds the

face value of such shares, the aggregate consideration received for such shares as exceeds the fair market value of the shares shall be chargeable to income-tax under the head “**Income from other sources**”. Thus, provision of this clause is to be verified only when the shares are issued by the company at more than the face value i.e. at a premium.

- The auditor should obtain from the auditee, a list containing the details of shares issued, if any, by him to any person being a resident and verify the same from the MCA records, books of accounts and other relevant documents.
- The auditor needs to verify the valuation of shares in case an unlisted company when it issues shares beyond face value and verify that it is in accordance with Rule 11UA (amended w.e.f. 23rd September 2023) read with Rule 11U of the income Tax Rules, 1962.
- In case shares are issued by valuing at Discounted Free Cash Flow method (DFCF), it should have been valued by a merchant banker. It is pertinent to note that if the valuation is required for issue of shares under the Companies Act 2013 (for private placement or preferential issue), then the valuation would also be required from a Registered Valuer under the Companies Act.
- Followings should not be reported under this clause:
 - Shares issued by company in which public are substantially interested
 - Shares issued by Venture Capital Undertaking to a Venture Capital Company, or a Venture Capital fund as defined in 10(23FB)
 - Shares issued to a specified fund established or incorporated in India in the form of a trust or a company or an LLP or a body corporate which has been granted a certificate of registration as a Category I or a Category II Alternative Investment Fund and is regulated under the SEBI (Alternative



Investment Fund) Regulations, 2012 or regulated under IFSCA.

- Shares issued by start-up companies w.e.f. 14.6.2016
- Shares issued at face value.
- Shares issued at or below fair market value determined as per Rule 11UA
- It should be noted that section 56(2)(viib) is applicable for AY 2024-25, but would be not applicable from AY 2025-26 as per Finance (No. 2) Act, 2024.

Clause 29A: Whether any amount is to be included as income chargeable under the head ‘income from other sources’ as referred to in section 56(2)(ix)?

- As per section 56(2) (ix) of the Act, if any sum of money is received as an advance or otherwise in the course of negotiations for transfer of a capital asset and if such sum is forfeited or the negotiations do not result in transfer of such capital asset, then the same would be taxable as income under the head **‘Income from Other Sources’**.
- The nature of such income and the amount involved should be disclosed.
- The auditor should ensure that:
 - The assessee has received an advance against any capital asset i.e., Immovable Property, Plant, Machinery, etc.
 - Peruse the agreement and forfeiture clauses contained therein through which advance is received for the capital asset.
 - Obtain balance confirmations from third parties against whose name’s advances are shown in the assessee’s balance sheet.



- Obtain management representation from the assessee that the advance received has been forfeited or not and report accordingly.

Clause 29B: Whether any amount is to be included as income chargeable under the head 'income from other sources' as referred to in section 56(2)(x)?

Following incomes are to be reported u/s. 56(2)(x), where any person receives, from any person(s):

- any *money* exceeding Rs 50,000/- without consideration subject to certain exemptions.
- any *immovable property*:
 - without consideration, the stamp duty value of which exceeds Rs. 50000/- OR
 - for a consideration which is less than the stamp duty value of the property by higher amount of:
 - Rs. 50000/-; and
 - 10% of the consideration (in case of property is under second proviso to s. 43CA(1) for transfer of residential unit from 12.11.2020 to 30.6.2021– 20%)
- any *property, other than immovable property*:
 - without consideration, the aggregate FMV of which exceeds Rs. 50000/- OR
 - for a consideration which is less than the aggregate FMV of the property by an amount exceeding Rs. 50000/-, the aggregate fair market value of such property as exceeds such consideration

- Transactions which are exempted from the applicability of this clause by virtue of proviso to section 56(2)(x), should not be disclosed here.
- The property, other than immovable property to be disclosed in this clause which is below its FMV by Rs. 50000/- is defined u/s 56(2)(vii).
- With respect to **unquoted shares & securities**, the auditor should consider the following:
 - Ensure that acquisition should be through transfer and not through issue of fresh shares by the issuer company [which is covered u/s 56(2)(viib)].
 - Verify the FMV of unquoted shares and securities as per rule 11UA read with rule 11U
 - Where FMV exceeds the cost of acquisition of the capital asset being shares and securities by Rs. 50000/- in aggregate, then the same should be disclosed in this clause.
- With respect to **immovable property**, the auditor should consider the following:
 - Immoveable property under this clause covers land, or building or both. According to certain cases leasehold land / building is neither land nor building covered u/s 50C.
 - The assessee has right to contest the FMV before AO where there is a difference between transaction value and stamp duty value as discussed above.
 - However, where the assessee has adequate evidence that the FMV do not exceed the consideration for acquisition by Rs. 50000/- / 10% / 20% of the consideration, or and claims the consideration to be fair market value and intends to contest the same as per the provisions of s. 56(2)(x) read with s.

50C(2), he should obtain a management representation accordingly. Further the auditor in his report in Form 3CA/ 3B should comment the following regarding this:

- Stamp Duty Value of immovable property
 - Consideration (transaction value) for acquisition of property
 - That the assessee is of the view that FMV does not exceed the consideration and he intend to contest the same before the assessing officer. (Obtain appropriate MRL from the assessee in this regard for audit documentation).
-

“Life is what happens to us while we are making other plans.”

— Allen Saunders

GST

GST UPDATES

1. GST Portal is now enabled to file appeal against waiver order (SPL 07).

- a) Taxpayers who have filed waiver applications in Forms SPL 01/SPL 02 are receiving orders from the jurisdictional authorities:

Acceptance Order in SPL 05 or Rejection Order in SPL-07.

- b) The GST Portal has now been enabled to allow taxpayers to file **Appeal applications (APL 01)** against **SPL 07 (Rejection) Order**.

- c) In the application form, under **Order Type**, select: **“Waiver Application Rejection Order”** and enter all the relevant details. After entering the details, please proceed with filing of appeal.

- d) It may be noted that the option to withdraw appeal applications filed under the waiver scheme is not available on the GST portal. Taxpayers are therefore advised to exercise due caution while filing such appeals.

2. Regarding non-editable of auto-populated liability in GSTR-3B:

From July, 2025 tax period for which form GSTR 3B will be furnished in August, 2025 such auto populated liability will become non editable. Thus, taxpayers will be allowed to amend their auto



populated liability by making amendments through form GSTR 1A which can be filed for the same tax period before filing of GSTR 3B.

These changes signal a broader move towards a digitally governed, accuracy-driven GST ecosystem.

- Errors in GSTR-1 will directly carry over into GSTR-3B once the form is auto-populated, leaving no scope for later modifications.
- Since GSTR-2B (used for ITC claims) is generated around the 14th of each month, any discrepancies may result in the loss of ITC eligibility for buyers.

3. Regarding GSTR-3A Notices issued for non-filing of form GSTR 4 to cancelled Composition Taxpayers.

As per the provisions of Section 39(2) of the Central Goods and Services Tax (CGST) Act, 2017, read with Rule 68 of the CGST Rules, 2017, notices in Form GSTR-3A are required to be issued in cases of non-filing of Form GSTR-4. However, due to a system-related glitch, such notices have been inadvertently issued in certain cases where they were not applicable — including instances involving taxpayers whose registrations had been cancelled prior to the Financial Year 2024–25.

Taxpayers who have either duly filed the relevant return or whose registrations were cancelled prior to the Financial Year 2024–25 are advised to ignore these notices, as no further action is required on their part in such cases.

Checklist for Reconciliation of GST Liability in Books of Accounts with GST Returns filed for FY 2024-25:

A) Turnover and tax liability:

1. Reconcile the turnover (including credit notes/debit notes) reported in books vis à vis GSTR-1 vs GSTR-3B
2. Amend and rectify any mistakes or omissions made in GSTR-1 or GSTR-3B returns for the previous financial year by March 2025 returns
3. E-Way bill and e-invoices data to be reconciled with the Sales Register (SR)
4. Check and report other incomes, such as fixed asset sales and miscellaneous income
5. Tax paid on advances received against services
6. Realisation of export proceeds within one year
7. Compliance of supply to merchant exporters (0.1%).

B) Input Tax Credit (ITC) availed and utilised

1. Reconciliation of ITC General Ledgers (GLs) with the balance appearing in the electronic credit ledger on the GST portal.

2. Review the expense ledgers for any expenses on which ITC is eligible but was missed claiming. For example: GST on bank charges.
3. Reconciliation of ITC register vis à vis GSTR-2B:
4. ITC availed during the FY 2024-25 should match GSTR-2B
5. Reverse the ITC not appearing in GSTR-2B
6. Follow up with vendors regarding any missing invoices and adopt the Invoice Management System (IMS) available on the GST portal to streamline the communication of incorrect purchase invoices/ITC for the financial year. Additionally, ensure timely resolution of invoices marked as 'Pending' in the IMS.
7. Review of ITC utilisation entries passed in the books of accounts vis à vis the electronic liability ledger as per the GST portal.
8. Ensure that the blocked ITC under Section 17(5) has not been claimed. If inadvertently claimed, ensure it is duly reversed in both the books and returns.
9. Ensure the reversal of time-barred ITC claimed for FY 2024-25 was completed by 30th November 2025
10. Rule 37: Check for ITC reversal required on account of non-payment within 180 days or reclaim of any ITC regarding supplies for which payment has been made.
11. Rules 42 and 43: Impact of annualised ITC reversal (excluding capital goods). Make the re-computation, if needed.

12. Rule 37A: Though the timeline is 30th November 2025, ensure that the supplier on whose documents ITC is availed, has duly filed GSTR-3B for the respective months.
13. Ensure obtaining mandatory Input Service Distributor (ISD) registration by 31st March 2025, if you have any common input services, both domestic and imported.
14. ITC distribution by ISD: Ensure that ITC is correctly distributed to all the distinct persons.
15. If capital goods are sold during the year, ensure that ITC reversal is computed according to the GST rules.

C) Liability under Reverse Charge Mechanism (RCM)

1. Check the expenses side of the Statement of Profit & Loss (some mentioned below) to determine the RCM liability of the FY:
 - a. Security services
 - b. Advocate services
 - c. GTA transport services
 - d. DSA (Direct Selling Agent) commission expenses
 - e. Rent-a-cab services
 - f. Renting of residential dwelling
 - g. Import of services
2. Reconciliation of RCM payable General Ledger with RCM paid during the year. Reconciliation of RCM paid with RCM ITC availed, other than ineligible ITC

3. Ensure RCM is paid on all the transactions wherever RCM is applicable as per the statute.
4. Reconciliation of RCM payable as per GSTR-2B vis à vis RCM paid during the year
5. Real-estate sector shall procure 80% of the goods and/or services from a registered person and check the calculations along with specific provisions.

D) Tax deposited and closing balances:

1. Reconciliation of outward taxes reported in GSTR-1 with GSTR-3B.
2. Tax liability reported under RCM and the CGST Section 9(5) should be deposited in cash only.
3. Payment of 18% interest on delayed tax payment by debiting the electronic cash ledger under Section 50 of the CGST Act.
4. Reconcile closing balances of the electronic cash/credit ledger with the books of accounts

E) 1% Cash payment conditions validation. -

As per the Rule 86B of CGST-2017, Taxable persons can use electronic credit ledger for making payment of Outward Tax liability up to 99% of the outward tax. and 1% is compulsorily to be paid from Cash ledger. However, **this provision shall not be applicable in case were,**

1. Value of Domestic Supply (excluding Exempt Supply) for a GSTN is below Rs. 50 Lakh, for current Month.
2. If the specified persons as mentioned in rule have paid more than 1 lakh as Income Tax under Income Tax Act, 1961.
3. If the registered person has received a refund of amount greater than Rs.1 lakh in the preceding financial year on account of export under LUT or due to inverted tax structure.
4. If the registered person has discharged his output tax liability by electronic cash ledger for an amount in excess of 1% cumulatively up to the said month in the current financial year.
5. If the registered person is Government dept, PSU, Local authority, Statutory Authority.

“The art of writing is the art of discovering what you believe.”

– Gustav Flaubert

FINANCE AND VALUATIONS

Valuation in a Fragmented World: Damodaran's New Playbook for Risk

Over the past two editions, we've decoded how interest rate volatility and central bank pivots reshaped the valuation terrain.

Now, the compass has swung to Country Risk Premiums—a silently compounding variable that's moved from footnote to front page.

In July 2025, Aswath Damodaran recalibrated the India Country Risk Premium to 7.46%, citing elevated geopolitical tensions, sovereign downgrades, and FX volatility across emerging markets.

The message is clear: Valuations must reflect not just the time value of money, but the risk geography of money.

The Valuation Implication: Cost of Capital Has a Passport Now:

Traditional valuation models applied domestic assumptions to globally-operating businesses. That lens is now obsolete.

Cost of capital must follow revenue geography. An India-domiciled company with majority U.S. revenues does not carry the same risk as a purely domestic counterpart—and vice versa.

What's Changed?

Parameter	Pre-2025 (India)	Now (2025 Update)
Base Risk-Free Rate	7.0% (10-yr G-Sec)	7.9% (live G-Sec)
ERP (US/Global)	5.5%	6.0%
Country Risk Premium	5.94%	7.46%
Implied ERP (India)	11.44%	13.46%

How to Adjust Your Valuation Models

1. Refactor WACC by Revenue Geography: Break down EBITDA/FCF by region, apply regional CRPs, and reweight in WACC.
2. Justify CRP in FEMA/Tax Reports: Especially in equity issuances, ESOPs, and internal restructuring.
3. Add CRP Stress Testing in DCF Sensitivity: Report how valuation swings with ± 100 bps in CRP.
4. Localize Valuation Risk in Cross-Border M&A: Use multi-jurisdictional CRPs with disclosed logic.

Sample Case: SaaS Startup – Global Revenues, India Base

A SaaS startup with global revenues and India-based operations reflects a perfect storm of valuation sensitivity to macroeconomic inputs.

Item	2024 Assumption	2025 Revised
Risk-Free Rate	6.5%	7.95%
Global ERP	6%	6%
CRP (India only revenue)	5.94%	7.46%
Cost of Equity	13.7%	15.4%
WACC	12%	13.5%
Terminal Value Compression	₹130 Cr	₹109 Cr

***Real-World Relevance for Practitioners***

Use Case: FEMA/Inbound FDI - RBI scrutiny on over-optimistic valuations is rising. Use updated CRPs.

Use Case: Startup Fundraising - Investors will discount Indian exposure more aggressively now.

Use Case: Taxation (Rule 11UA) - Department may challenge static discount rates.

Use Case: Buyouts/Internal Settlements - High CRP justifies lower exit multiples.

Advisor's Perspective: How to Talk to Clients

"Your business hasn't become worse—it's the risk world around it that's changed. Let's adjust the model to reflect reality, not optimism."

Add value by:

- Bringing comparative CRP data across peer countries.
- Showing that valuation drops aren't permanent, they're risk-repricing moments.

Conclusion: Risk Has Been Repriced. Have You?

From the risk-free rate to policy rates, and now country premiums—each lever has shifted north.

Valuation isn't a math problem anymore. It's macroeconomics in motion.

When risk is on sale, value disappears. When risk is repriced, value re-emerges—just at a new number.

THANK YOU!

DISCLAIMER

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