The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
Guwahati Branch (EIRC)
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# Guwahati @ICAI

## E-Newsletter | September


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# CHAIRPERSON'S MESSAGE

Esteemed Members of the Branch,

Greetings !!

September 2025 has indeed been one of the most hectic and testing months for our fraternity across the country. The demands of professional work during this period were at their peak. As we braved through long days and longer nights, the uncertainty over the due date added to the anxiety. Finally, the extension of the Due Date for filing Tax Audit Reports till 31st October 2025 came as a much-needed breather just before the onset of Durga Puja holidays, allowing us some space to recalibrate and complete our tasks with due diligence and composure. As professionals, we have always taken pride in our perseverance, accuracy, and commitment to timelines. Yet, this month also reminded us that sustainable excellence must remain our collective goal.

This September also brought immense sorrow for Assam and its people. The tragic and untimely demise of Zubeen Garg, our state's musical icon and the voice of countless emotions at Singapore on 19th September, 2025, left a void in every heart. His melodies were not just songs but reflections of Assam's soul. We at ICAI Guwahati Branch pay our deepest respects to the departed legend and pray that his music and his humanitarian and philanthropic acts continue to inspire generations.

Amidst this see-saw of emotions, now another Hindu festival Diwali and Kali Puja is around the corner and professional deadlines are still running parallel. I humbly appeal to all members to celebrate this festival of lights as a festival of faith, reflection, and gratitude to the Almighty for our families at our homes and offices. May we light our diyas with a prayer for peace for the recently departed soul, while we also share smiles with those around us, may we ensure safety and safe environment for all our near and dear ones by observing a safe and green Deepawali and may our work continue steadily with the calm assurance that balance is the truest form of brilliance.

I also make an appeal to you all to become Life members / Ordinary members of Chartered Accountants' Benevolent Fund (CABF). Voluntary Contributions can also be made by the members directly to CABF. All details of CABF can be accessed at: https://cabf.icai.org/. The objective of CABF is a very noble one where the capable ones in fraternity can contribute to help in sustaining the lesser blessed and their families. Let us make this Diwali an occasion to donate for the lesser blessed families in fraternity. It is my earnest request to you all to contribute voluntarily at least some amount according to your capability like Rs. 100, 200, 300, .., 1000, .., 2000, .., 5000, .., 10000.... or any sum in multiples of Rs. 100. You may pay to the QR Code attached and fill the google form at: https://forms.gle/L4nMrhvUSCsuEFcq8. Even the smallest contribution will count. We will compile the individual contributions member wise and send to CABF with transfer of sizeable amount through consolidated cheque to CABF ICAI from the Guwahati Branch. Kindly do not forget to fill this google Form after payment through QR Code.

On behalf of the Managing Committee, I extend heartfelt wishes for a peaceful, healthy, and fulfilling festive season. Let us keep our spirits high, our hearts grounded, and our work disciplined as we move ahead towards the close of yet another professional milestone.

Warm Regards,

**CA. Raginee Goyal,**
Chairperson
Guwahati Branch (EIRC), ICAI

# EDITOR'S MESSAGE

Greetings to the Esteemed Members!!

The month of September proved to be nothing short of a roller coaster ride for the CA fraternity, with a series of due dates lined up one after another — from Income Tax to GST compliances. After much anticipation and even court intervention, the long-awaited extension for the Tax Audit Report finally arrived towards the end of the month, bringing immense relief to members across the country, particularly in Assam, where the festive spirit of Durga Puja fills the air.

It wouldn't be an exaggeration to say that the month truly tested our endurance — balancing professional deadlines with personal commitments and health. Yet, as Chartered Accountants, challenges are nothing new to us. We face them head-on, stay resilient, and keep the ball rolling with our hallmark dedication and precision.

On a somber note, I wish to express my heartfelt condolences on the untimely demise of the music legend of Assam — Zubeen Garg. His contribution to the world of music and culture is immeasurable, and his passing leaves behind a void that words can hardly fill. The loss feels deeply personal. May the Almighty grant eternal peace to his soul and strength to his family to bear this irreparable loss.

At the branch level, we continue our efforts to serve the profession and society with equal zeal. This month, we conducted several Career Counselling Programs to guide young aspirants and also took forward a meaningful initiative, "Ek Ghanta Desh Ke Naam," where our members reached out to the community and extended support in various ways.

As Diwali is round the corner, I take this opportunity to extend my warm wishes to all members and their families. May the Festival of Lights illuminate your lives with abundance, prosperity, and endless blessings. As we step into the festive season, let us continue to uphold the spirit of service, commitment, and camaraderie that defines our fraternity.

We truly hope you enjoy going through it as much as we enjoyed curating it for you. Your valuable feedback is always welcome and will help us make future editions of our E-Newsletter even more engaging, meaningful, and enriching for all members.

Wishing you an enriching read!

With warm regards,

**CA. Kumar Victor Saha**
Editor, e-Newsletter
Guwahati Branch (EIRC), ICAI

# PAST CHAIRMAN SPEAKS

## A Quarter Century of Purpose: Reflections on a CA's Journey

As I mark the significant milestone of completing 25 years as a Chartered Accountant, I find myself reflecting on a journey that has been as challenging as it has been rewarding. For a first-generation Chartered Accountant hailing from the small town of Bongaigaon in Lower Assam, the path was anything but certain. It began in 1991 when I moved to Guwahati to pursue my graduation, armed with determination and a dream.

The student days were a true test of grit. In an era devoid of coaching centres and structured guidance in Guwahati, our most trusted companions were the ICAI study materials and reference books. The examination schedule was relentless, with papers held consecutively without a single day's respite. Yet, with the blessings of the Almighty and the unwavering support of my parents, I was fortunate to clear every group in my first attempt. The euphoria of qualifying was immense, but I soon realised that the true struggle was just beginning.

With limited job opportunities in the North-East, I chose the entrepreneurial path and established my practice in the year 2000. My professional world began in a modest 200 sq. ft. office with a single computer, a printer, and a peon. At the time, the profession was heavily dominated by the Direct Tax domain. Seeing a need to carve a unique niche, I ventured into the nascent field of Indirect Taxation. Though the CA curriculum then did not extensively cover state-specific VAT or Service Tax, I committed myself to mastering this domain. The introduction of VAT in 2005 proved to be a pivotal moment, cementing my specialisation and opening new avenues for practice.

A desire to contribute to our fraternity led me to join the managing committee of the ICAI Guwahati Branch in 2004. This association became one of the most fulfilling chapters of my career. I had the honour of serving as Vice Chairman in 2006-07 and as a committee member during what I fondly remember as the "golden period" from 2007 to 2013. During these years, through collective effort, we undertook the monumental task of collecting contributions, acquiring land, and constructing our state-of-the-art branch building, inaugurated in 2010. Leading the branch as Chairman in 2010-11 and as EICASA Chairman in 2012-13, I was immensely proud when our team's efforts were recognised with both National and Regional awards. The construction of the world-class auditorium, a project I oversaw as the Building Committee Chairman, remains a source of immense satisfaction.

My deep association with the Institute offered another unexpected opportunity for growth: public speaking. Listening to eminent speakers from across the country addressing our members ignited a passion within me to share my own domain knowledge. This inspiration led me to become a registered faculty of ICAI, specialising in GST. It has been a privilege to impart training and speak at various prestigious forums, including those of ICAI, ICSI, and the Tax Bar Association, as well as conducting sessions for Government Departments, PSUs, and various trade bodies.

On a personal front, my journey was beautifully complemented when I married the love of my life, CA Dipika Agarwal, in 2007. Her partnership, both in life and profession, has been instrumental in building our firm into one of the leading practices in the North-East region.

Over these 25 years, I have been a front-row witness to a paradigm shift in our profession. I recall my articleship days when a computer operator was needed to draft reports in DOS and Lotus 123. Today, we cannot imagine our work without sophisticated accounting software, online returns, faceless assessments, and now, the transformative power of Artificial Intelligence. This rapid

# PAST CHAIRMAN SPEAKS

evolution, coupled with frequent changes in tax laws and financial reporting standards, has reinforced my belief that success in our profession hinges on four fundamental pillars:

- **Updated Domain Knowledge:** A relentless pursuit of learning.
- **Technological Adaptability:** Embracing change to stay relevant.
- **Hard Work and Dedication:** The non-negotiable foundation of our practice.
- **Unyielding Ethics:** Maintaining the highest standards of integrity

The trust society places in us is profound. When our Hon'ble Prime Minister, Shri Narendra Modi, remarked, "The signature of a CA is more valuable than even the PM's," he articulated the immense responsibility we carry. These words serve as a constant reminder of the weight of our attest function and the sacredness of the public's trust. As I look ahead, I feel a renewed sense of purpose to uphold the dignity of our profession and continue serving with integrity for many years to come.

Warm Regards,
**CA Bikash Agarwala**
Past Chairman
Guwahati Branch (EIRC), ICAI

# ICAI ANNOUNCEMENTS

1. **Hosting of Multipurpose Empanelment Form (MEF)- 2025-26**
   https://www.icai.org/post/pdc-announcement-06092025
2. **Announcement for Extension of Last Date for Submitting MEF 2025-26 from 26th September to 10th October, 2025.**
   https://www.icai.org/post/mef-extension-26sep-10oct-2025
3. **Together for a Cause - Flood Relief Appeal by ICAI**
   https://www.icai.org/post/flood-relief-appeal-by-icai
4. **Information Systems Audit – Assessment Test (ISA – AT), November 2025**
   https://resource.cdn.icai.org/88332exam-aps2423.pdf
5. **Announcement providing relaxation in compliance with the 'Guidance Note on Financial Statements of Non-Corporate entities' and 'Guidance Note on Financial Statements of Limited Liability Partnerships' for annual reporting period 2024-25**
   https://www.icai.org/post/asb-announ-190925
6. **Examination dates for January 2026 Announced**
   https://resource.cdn.icai.org/88373exam-aps2491.pdf

# GUWAHATI BRANCH ACTIVITIES

## Other Activities

### Career Counselling Program at Nichols Higher Secondary School — 2nd Sept


At Nichols Higher Secondary School, Guwahati by CA Pooja Harlalka, on 02 September, 2025. The program was attended by the students and was appreciated by the teachers of the school.

### Women Centric Programme at Hotel Vishwaratna — 13th Sept

One Woman Centric Talk cum Panel Discussion was organized by the Branch featuring an inspiring panel discussion with visionary women leaders, entrepreneurs, change-makers, and influencers from medical, social, tourism, educational and professional fields, who shared their journeys, challenges, and insights. The programme was chaired by Branch Chairperson and moderated by Smt. Sarita Saha. The event aimed to ignite inspiration through storytelling, foster collaboration among women professionals and entrepreneurs, and create a strong network-driven community.

# GUWAHATI BRANCH ACTIVITIES

## Guwahati Branch (EIRC) & Guwahati Branch of EICASA Paid Tribute and Respect to Heartthrob of Assam Late Zubeen Garg at ICAI Bhawan — 20th Sept



Guwahati Branch (EIRC) paid heartfelt tribute to the Heartthrob of Assam, Zubeen Garg. Members remembered his remarkable contribution to Assamese music and culture, celebrating his legacy with deep respect and admiration. His melodies will continue to inspire generations across Assam and beyond.

## Guwahati Branch (EIRC) & Guwahati Branch of EICASA Paid Tribute and Respect to Heartthrob of Assam Late Zubeen Garg at his residence — 28th Sept



A delegation from Guwahati Branch (EIRC) visited the residence of Late Zubeen Garg to offer heartfelt tribute to the departed soul and convey humble condolences to the bereaved family. Members and students joined together in remembrance of the legendary artist, honouring his immense contribution to Assamese music and culture.

## Ek Ghanta Desh Ke Naam at Ananda Marga School — 28th Sept



"Ek Ghanta Desh Ke Naam" was celebrated by ICAI Guwahati at Ananda Marga School, Guwahati. The initiative included an interactive session where children of the orphanage were taught about the brave heroes of India's freedom struggle. Members also engaged with the kids through fun games and distributed stationery kits to them.

ARTICLE

- CA. Rahul Sharma (M. No.: 402506)

# Capital Structure and Cost of Capital in Indian Start-ups

This paper presents a comprehensive analysis of capital structure and cost of capital decisions in Indian start-ups, integrating theoretical finance principles with evolving market practices, regulatory frameworks, and innovative funding instruments. The discussion emphasizes dynamic capital strategy, milestone-based leverage, and practical frameworks for reducing Weighted Average Cost of Capital (WACC).

1. Overview and Objective

Indian start-ups face unique challenges - uncertain cash flows, asymmetric information, and evolving regulatory environments (FEMA, SEBI, RBI, Companies Act). Capital structure decisions are not static but evolve with business stages, investor preferences, and external funding conditions. The optimal mix must balance control, flexibility, and financial discipline while supporting scalability.

2. Capital Structure under Uncertainty

At inception, start-ups have limited debt capacity due to cash flow volatility. Investor contracts - liquidation preferences, conversion rights, anti-dilution clauses, and ESOP structures - manage risk allocation. Leverage increases only when product–market fit (PMF) and predictable unit economics emerge. Thus, capital structure evolves alongside business milestones rather than target ratios.

3. Cost of Capital Framework

The cost of equity in ventures is derived from expected return scenarios or the venture capital method (based on dilution and target IRR), rather than CAPM. Debt, once feasible, should account for hidden costs—fees, warrants, and foreign exchange risk for external borrowings. Foreign currency loans (ECB) require hedging premiums added to coupon rates to compute true rupee-equivalent costs.

4. Life-cycle Funding Evolution

- Seed Stage: Funded by founders, friends, angels, incubators, and iSAFE/convertible notes.
- Early Growth: Dominated by institutional VCs using CCPS, along with venture debt and working capital lines.
- Scale-up: Supported by growth equity, FDI, ECB, and listing routes. Some firms unwind overseas flips to simplify compliance.

5. Key Instruments and Usage

- CCPS: Standard venture equity, with liquidation preference and anti-dilution protection.
- CCD: Convertible debt with equity features, useful for bridge rounds.
- iSAFE/Convertible Notes: Flexible seed instruments but can complicate cap tables if
- Venture Debt with Warrants: Post-PMF funding tool combining interest and equity-linked
- Revenue-Based Financing (RBF): Non-dilutive financing repaid as a share of revenue, aligning cost with
- Invoice Discounting/TReDS: Working-capital finance linked to buyer credit quality.
- Crowdfunding/AIF Rounds: Broaden access to compliant investor pools.
- Government Schemes (SIDBI FFS, CGTMSE, BIRAC): Indirectly reduce WACC via guarantees and subsidies.

6. Forex Funding and Cross-border Structuring

FDI via CCPS remains the preferred foreign equity route, requiring valuation certification and FEMA filings (FC-GPR, FLA). ECB permits foreign currency loans for eligible end-uses with caps on pricing and tenor. Cross-border flips can enable foreign listing and stock-based M&A but attract GAAR, tax, and ODI complexities. Reverse flips are increasingly preferred as Indian capital markets deepen.

7. Numerical Illustrations

Example 1: A capital mix (Equity ₹240 cr, Venture Debt ₹10 cr, ECB ₹8 cr) yields WACC ≈ 32.6%, showing marginal WACC impact of low-cost debt.

Example 2: Revenue-based financing shows effective IRR varying from 19% to 45% depending on growth velocity.

Example 3: Fully hedged ECB at 6% + 5% hedge = 11% INR cost, reducing forex exposure at modest cost increase.

8. Case Studies

Zerodha-like fintech: Bootstrapped, near-zero WACC, maximum control.

- Flipkart-like marketplace: Multiple CCPS rounds; preferences define exit
- EdTech hypergrowth: Down-rounds trigger anti-dilution

# ARTICLE

- Freshworks-like SaaS: USD revenue hedge supports ECB
- Razorpay-like payments firm: Balanced equity and debt; warrant-linked cost modeled in WACC.

**9. Designing the Capital Stack**

Capital decisions must link directly to runway and milestones. Recommended practices include:
- Using CCPS for priced rounds; convertibles for valuation uncertainty.
- Sequencing non-dilutive capital (TReDS, RBF, grants) before equity dilution.
- Modeling exit waterfalls to visualize liquidation preference
- Building lender-ready MIS and governance structures
- Implementing FX hedging policy defining minimum hedge ratios and counterparty exposure limits.

**10. Valuation and Cost of Equity Estimation**

A blended valuation approach combining VC method, scenario-based DCF, and market comparables is suggested. Stage-specific risk premiums, illiquidity adjustments, and governance factors refine the model. Example: To achieve a 10x seed return over six years with 40% dilution, investor ownership must start near 16% post-money.

**11. Accounting, Tax, and Regulatory Compliance**

Ind AS 32/109 classify CCPS/CCD based on redemption features (liability vs. equity). Ind AS 102 mandates ESOP fair-value recognition over vesting periods. Compliance under FEMA and Income-tax laws includes FC-GPR/FC-TRS filings, TDS on cross-border payments, and angel-tax valuations. MCA filings (PAS-3, SH-7, charge registration) maintain transparency and investor trust.

12. Risk Management Framework

Start-ups must institutionalize risk frameworks for:
- Currency and hedging exposure.
- Covenant monitoring and cure
- Operational metrics such as CAC payback, burn multiple, and cohort

Effective risk controls enhance debt capacity and valuation confidence.

**13. Emerging Trends**

Structured equity with ratchets and performance-linked adjustments has grown under market stress. Liquidity programs and ESOP buybacks improve retention and cash efficiency. Impact finance and blended structures (with guarantees or junior tranches) reduce WACC for ESG-aligned ventures. Supply-chain finance integration reduces DSO and equity dilution in B2B operations.

14. Checklists for Practitioners

Pre-fundraise: Maintain data room (MIS, statutory filings, ESOP ledger, cap table).
Term Sheet Red Flags: Multiple liquidation preferences, excessive covenants, or broad veto powers.
ECB Readiness: Ensure borrower/lender eligibility, hedge coverage, and tax compliance.
FDI Close Readiness: Complete KYC, valuation certification, and filing within FEMA timelines.

15. Annexure Insights

The annexure extends the analysis with detailed financial models and case narratives:
- Option-style valuation of CCPS using Black–Scholes analogy.
- ECB amortization with hedging scenarios.
- Government-backed TReDS and CGTMSE blended financing reducing WACC by ~6%.
- Venture debt with warrants increasing total effective cost by ~3%.
- These demonstrate how theoretical valuation aligns with regulatory and practical financing considerations.

16. Conclusion

Capital structure in Indian start-ups is fluid and strategic. There is no universal optimal leverage. Success lies in sequencing instruments to match business evolution - using equity to validate models, debt to scale sustainably, and foreign capital when treasury systems mature. By modeling true costs—including preferences, anti-dilution, warrants, and hedging—start-ups can materially lower real WACC while retaining flexibility and compliance integrity.

# ANNUAL NATIONAL CONFERENCE


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