MANGALORE BRANCH OF SICASA OF ICAI

GARUDA

MONTHLY NEWS LETTER

MAY

WHAT'S INSIDE

CHAIRMAN'S MESSAGE

CA. B. NITHIN BALIGA
SICASA CHAIRMAN

Greetings and Acknowledgement

Dear Students,

Warm greetings to all of you! I extend my heartfelt thanks for your continued support and participation in all our initiatives. Your enthusiasm continues to energize SICASA Mangalore's efforts in creating valuable experiences for the student fraternity.

Highlights of May 2025

May was a month of active learning and spirited participation. As part of the National Talent Search 2025, we successfully conducted the Elocution Competition, Quiz Competition, and Essay Writing Competition, where students demonstrated impressive articulation, analytical thinking, and depth of understanding on relevant topics.

We also hosted Game-A-Thon 2025, an Indoor Sports Fest that brought together students and members for a day of fun, fitness, and fellowship. The enthusiasm across events like Badminton, Table Tennis, Carrom, and Chess was truly commendable and reflected the vibrant spirit of our CA community.

Upcoming Mega Conference – VIMARSH 2025

We are proud to share that Mangalore has received ICAI's approval to host the Mega CA Students Conference – "VIMARSH", scheduled on 13th and 14th June 2025 at Town Hall, Mangalore. This flagship event will feature inspiring sessions, knowledge-sharing platforms, and networking opportunities with industry leaders and professionals.

We request all students to register in large numbers and be part of this grand celebration of knowledge, leadership, and collaboration. Your presence will make it even more impactful.

Looking ahead SICASA Mangalore remains committed to delivering meaningful, engaging, and enriching events for all of you. With your active participation and the continued support of our CA fraternity, we look forward to scaling greater heights together.

Warm regards,
CA Bantwal Nithin Baliga
Chairman, SICASA – Mangaluru Branch of SIRC of ICAI

ACTIVITY REPORT

CA STUDENT'S NATIONAL TALENT SEARCH

ESSAY COMPETITION

The Mangaluru Branch of SICASA of ICAI successfully conducted **Essay Competition** as part of the **CA Students' National Talent Search 2025,** showcasing the creativity and structured reasoning of aspiring Chartered Accountants.

A heartfelt thank you to our esteemed judge - **CA Swathi Pai** for her valuable time and expert valuation. The event was a showcase of thoughtful expression, structured reasoning, and creative insight with participants penning powerful perspective on thought-provoking topics.

A big thank you to all the participants for their enthusiasm, effort, and eloquence.

ELOCUTION COMPETITION

The Mangaluru Branch of SICASA of ICAI successfully conducted **Elocution Competition** as part of the **CA Students' National Talent Search 2025,** showcasing the clarity and confidence of aspiring Chartered Accountants.
A heartfelt thank you to our esteemed judge - **CA Swathi Pai** for her valuable time and expert valuation. The event was a showcase of articulation clarity and confidence-turning the stage into a space for impactful ideas.
To every participant who stepped up and spoke out – thank you for bringing your best and making the event a memorable one.

QUIZ COMPETITION

The Mangaluru Branch of SICASA of ICAI successfully conducted **Quiz Competition** as part of the **CA Students' National Talent Search 2025,** showcasing the knowledge and presence of mind of aspiring Chartered Accountants.

A heartfelt thank you to OUR esteemed judge - **CA Upendra Shenoy** - for their valuable time,expert valuation and for steering the event with insight and energy.The event was a showcase of knowledge, speed and presence of mind- with teams battling it out in an exciting clash of facts, figures, and fun!

Kudos to all the participants for their sharp minds, quick thinking, and sportsmanship – you made the quiz a truly electric experience!

WINNERS

We're delighted to announce the winners of the **Essay Writing, Elocution, and Quiz Competitions** conducted by the Mangaluru Branch of SICASA of ICAI as part of the **CA Students' National Talent Search 2025.**

The **Essay competition** was won by **Shilpa M K, Trupti** and **Amrutha Yedage** who impressed the judges with excellent creativity.

The **Elocution competition** was won by **Shannel Dsouza** and **Shivam Sharma** who impressed the judges by thier confidence.

The **Quiz competition** was won by **Dhanush Dinesh Shenoy** and **Tonse Shashank Kini** emerged as a winner,showcasing knowledge and presence of mind.

Congratulations to all the winners for their remarkable performances and well-deserved success!

ARTICLES

WHY STOCK MARKET CRASHES AND ITS REASON

CA. PUSHP KUMAR SAHU
MRN : 460422

In this article we will try to understand the reasons of stock market crashes and measures taken by SEBI to tackle the same, but before coming on to our main discussion, let us first understand what actually stock market crash is.

As per technical definition, it is a sudden dramatic decline of stock market, resulting in a significant loss of paper wealth. Crashes are driven by panic selling and underlying economic factors.

I know you haven't understood the above definition as it is little bit technical, don't worry we will deeply analyse the same with demand and supply example;

Stock Market Crash is nothing but a steep downfall of stock indices like Sensex, Nifty 50 and many other small and mid cap indices and its listed shares; gradually due to rapid dumping of shares in the market usually by big investors like FII's, DII's which ultimately creates panic among the investors and they also start selling their holdings (shares) with a fear of losing more and more value of investment which ultimately results in excess supply i.e. selling and there are less or few buyers.

In simple words, it is just a basic concept of economics i.e. demand & supply. Seller has to sell their holdings at whatever rate buyer is willing to pay, which is usually low, thereby taking the share price down. Apart from this there are several other reasons of stock market crashes like high fluctuation in inflation rates, foreign exchange rates, RBI monetary policy, rise or fall in Gold and oil prices etc. It is just an illustrative list. There are many other possible reasons of rise and fall of stock market indices.

The example taken of rapid dumping of shares in above explanation is just a trailer, there are so many other reasons of market crash which are discussed below:

1. Economic factors of the country like GDP growth rate, inflation rates, policies of government etc.
2. Global Factors like most of the world stock exchange have an effect due to stock markets of U.S. i.e. Dow jones and Nasdaq, if U.S. market increases then other markets will increase and vice-versa.
3. Expose of any scam done by any person who is engaged in large volume of trading of shares like Harshad Mehta scam of 1992 and Ketan Parekh scam of 2001 and many more.
4. Expose of fraud done by large cap companies which ultimately results in market crash like Satyam computer fraud.
5. Rise or fall in commodities market especially gold, silver and oil prices.

To overcome market crashes problem, SEBI (Regulator of securities market in India) has prescribed certain rules like trading halt, upper and lower circuits, declaration by trader before selling and buying major stake in a company etc to protect the interest of small investors and to stop manipulation of market by big players of the market. SEBI acts as a watch dog of the stock market so that big players won't be able to manipulate the market by bulk buying and selling of shares which ultimately leads to tremendous amount of loss to small investors.

Market crash effects the economy in a significant manner as it is one of the most important pillar of economy of any nation. Market crash leads to erosion of billions of dollars of money from the market in a single day, huge amount of capital and investment of investors are whipped out in a moment. Therefore, the steps taken by SEBI to combat the market crashes are the welcoming steps which will lead to fair trading in the market and thus protecting the interest of investors and will surely prove to be a boon for the growth of market and its capitalisation.

FIRST PRINCIPLES THINKING:
A SIMPLE YET POWERFUL PROBLEM-SOLVING TOOL

H NIKHIL SHENOY
SR00774397

What Is First Principle Thinking?

First principle thinking is a mental model rooted in physics and philosophy, particularly associated with Aristotle.

It involves breaking down complicated problems into their most basic, foundation elements - the "first principles"—and then reasoning up from there. Instead of solving problems by analogy (e.g., "This worked for others, so it should work for me"), first principles thinking asks:

“What do we know to be true, and what can we build from that?”

Times change and so do people, environment, technology and knowledge. This way of thinking could potentially illuminate a path towards a better solution which was undiscovered due to limitations of that period.

Why First Principles Thinking Is Vital Today?

In an age flooded with information and fear of change and uncertainty, innovation is often frowned upon. Most people reason by analogy—they tweak existing models or mimic others. But in fast- changing industries and environments, this isn't always effective.

First principles thinking stands out because it enables:

· Original Thought: It helps create novel ideas instead of copycat solutions.

· Efficiency & Optimization: It uncovers unnecessary costs, steps, or habits.

· Clarity: It clarifies what matters by stripping away noise and assumptions.

· Robust Decision Making: It strengthens long-term decisions by starting with truths.

How to Apply First Principles Thinking?

1. Define and Deconstruct the Problem

Break the problem into smaller components. Keep asking, "Why?" and "What is this made of?" until you reach undeniable truths.

2. Identify the First Principles

These are the basic facts that cannot be deduced further. They're physics-level truths or economic/chemical laws, not opinions or social norms.

3. Rebuild from Scratch

Using these principles, reconstruct a solution without relying on how things are "usually done."

Mental Trick: Try the "Socratic method"—keep asking fundamental questions like a curious child:

· "Why is this done this way?"

· "What if we started from zero?"

· "What do we know must be true?"

Elon Musk's Use of First Principles SpaceX Example:

When Musk started SpaceX, buying rockets off the shelf cost ~$65 million. Rather than accepting this, he broke down a rocket into its raw materials—aluminum, titanium, copper, etc. He found that the materials only cost about 2% of that price.

By applying first principles, he asked:

- What if we built it ourselves from these raw parts?
- · Can we rethink the process from scratch?

This led to SpaceX designing rockets in-house and dramatically cutting launch costs.

Tesla Example:

Battery packs were traditionally expensive. Most carmakers accepted the price as a fixed reality. Musk broke down batteries into chemicals like nickel, cobalt, lithium, and graphite. By sourcing raw materials directly and investing in manufacturing efficiencies (e.g., the Gigafactory), Tesla slashed battery costs and made electric cars more affordable.

How to Start Using It In Daily Life?

· In Personal Finance:

Don't just save "10% of your income" because someone said so. Ask: What do I need, what are the real costs, and how can I optimize? Each person has different needs and hence they have to do what allows them to make the maximum of what they have.

· In Learning:

Instead of memorizing, ask: What's the core concept here? What's the simplest explanation?

· In Work or Business:

Challenge industry norms. Ask: Are we doing this because it's the best way, or because it's what others do?

Final Thoughts

First principles thinking is rare but powerful. It's the reason some people innovate while others iterate. Whether you're an entrepreneur, student, or just curious, this tool can help you cut through noise, make better decisions, and find breakthroughs.

Remember: Don't just follow the path. Ask yourself, "What is the path made of?"

FACELESS AUDITS - WHY NOT IN GST

JENISH JAJAL
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Introduction

Faceless audits are a transformative approach in tax administration, aiming to enhance transparency, reduce corruption, and streamline processes by eliminating direct interactions between taxpayers and tax officials. While this model has been successfully implemented in India's Income Tax and Customs departments, its adoption in the Goods and Services Tax (GST) regime remains limited. This document explores the reasons behind the Prudent Approach towards faceless audits in GST, analyzes the challenges, and provides guidance for potential implementation.

Current Status of Faceless Audits in GST

As of now, there is no nationwide proposal to implement faceless scrutiny assessments for GST returns. The existing GST framework already provides for electronic filing and assessment, and the government has not indicated plans to transition to a faceless model at this time.

However, Rajasthan has taken a pioneering step by initiating a faceless GST tax administration system. This system automates the scrutiny of tax returns for all 5.5 lakh GST taxpayers in the state, allowing for self-scrutiny and rectification of discrepancies. The pilot phase is being implemented in Jaipur and Jodhpur, aiming to promote transparency and efficiency while balancing the workload among tax officials.

Analysis of Challenges

1. Jurisdictional Constraints
GST assessments are currently linked to specific jurisdictional officers or units. Transitioning to a faceless system would require significant policy changes and restructuring of the existing framework.

2. Complexity of GST Transactions
GST encompasses a wide range of transactions across various sectors, making it challenging to standardize assessments without direct interaction, especially for complex cases.

3. Infrastructure Limitations
Implementing a faceless system necessitates robust IT infrastructure, including reliable internet connectivity and digital literacy among taxpayers, which may not be uniformly available across all regions.

Reasons for Limited Implementation

There are following reasons toward implementing faceless audits in GST:

Existing Electronic Processes:
The GST system already facilitates electronic filing and assessment, reducing the immediate need for a faceless model.

Operational Challenges:
The complex nature of GST transactions makes it difficult to apply a one-size-fits-all approach inherent in faceless assessments.

Resource Constraints:
Many taxpayers, especially in smaller towns and rural areas, may lack the necessary resources and digital literacy to engage effectively with a faceless system.

Guidance for Future Implementation

To facilitate the adoption of faceless audits in GST, the following steps are recommended:

Phased Implementation: Start by testing the system in a few areas to see how it works and make improvements before using it everywhere.

Infrastructure Development: Invest in robust IT infrastructure and provide training to both tax officials and taxpayers to ensure smooth operation.

Policy Reforms: Amend existing policies to accommodate the structural changes required for faceless assessments.

Support Mechanisms: Establish helpdesks and support centers to assist taxpayers in navigating the new system.

Benefits of Implementing Faceless GST Audits

Enhanced Transparency and Reduced Corruption:
By minimizing direct interactions between taxpayers and tax officials, faceless audits aim to eliminate subjective biases and curb corrupt practices, fostering a more transparent tax environment.

Improved Efficiency and Timeliness:
Automation streamlines the audit process, leading to quicker assessments and resolutions, thereby reducing the backlog of pending cases.

Cost Reduction for Businesses:
Especially for Micro, Small, and Medium Enterprises (MSMEs), faceless audits can lower compliance costs by simplifying procedures and reducing the need for physical documentation and visits.

Conclusion

While the concept of faceless audits in GST holds promise for increasing transparency and efficiency, its nationwide implementation requires careful consideration of existing challenges. Pilot programs like the one in Rajasthan may provide valuable insights and pave the way for broader adoption in the future. However, until infrastructural, policy, and operational hurdles are addressed, the transition to a fully faceless GST audit system remains a work in progress.

ONE MINUTE UNDER THE SUN: A GLIMPSE INTO THE LIVES BEHIND QUICK COMMERCE

JAYESH SUTHAR
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I was walking from the library to my house — a short stretch, barely a few hundred steps. Unfortunately, I had forgotten my cap that day. The sun was relentless. Its rays beat down on my head with an intensity that was hard to ignore. Within seconds, I could feel the scorching heat, a heaviness pressing against my skull. One minute. That's all it took for discomfort to creep in. Just sixty seconds, and I was already craving shade.

Now, pause and imagine: a Zomato, Zepto, or Blinkit delivery rider, out in that same sun. Not for one minute. Not even for five. But for hours on end — navigating through traffic, exposed to harsh weather, carrying your groceries, your dinner, your late-night cravings.

Sometimes, even carrying your midday cold coffee__which is now lukewarm and shaking like a trauma survivor.

We often comfort ourselves with the idea that “they’re getting paid.” That they’re earning, so it’s justified.
But are they truly earning — or are they enduring?

This question has been troubling me. Not just because of that brief moment of sunstroke I felt, but because of the growing volume of news I’ve read on the realities of delivery personnel. Their compensation models, their app-based tracking, the pressure of 10-minute deliveries, and the conditions in which they work paint a troubling picture. The glamor of instant convenience masks a system that demands speed at the cost of humanity.

As CA students, we are trained to understand the inner workings of business models, sustainability, and governance. We analyze companies not just by their revenues or market share, but by how ethically they treat all stakeholders — including the most ignored ones. The delivery partner, or in corporate terms, the 'last-mile associate', is one such stakeholder.

Let's analyze the business of quick commerce and food delivery platforms through our lens:

1. Business Model Viability:

Quick commerce thrives on speed, funded by heavy capital infusion, and thrives on aggressive discounting. But these businesses have one thing in common: recurring losses and cash burns. Investors are still betting on them due to the scalability narrative. But does scalability justify loss-making at the cost of basic human rights?

Take Swiggy, for example. The company reported a consolidated loss of ₹1,081 crore in Q4FY25 — nearly double the previous year. Sure, its revenue rose to ₹4,010 crore, but the cost of expansion, especially in quick commerce, continues to bleed them.

Zomato (now Eternal Ltd) didn't fare much better. While it reported a net profit of ₹39 crore in the same quarter, that's a 77% decline YoY. The company even had to shut down Zomato Quick and Zomato Everyday, calling them unsustainable.

If a ₹500-crore valuation can’t support an ₹80 ice cream without exploiting someone, maybe the model itself needs freezing.

2. Valuation Bubble & Cash Burn:

Zomato, Swiggy, and Blinkit are among those who've raised billions in valuation. But in their financials, cash flow statements and P&L sheets tell another story. Negative operating margins, reliance on external funding, and inflated customer acquisition costs are alarming signs. As students of finance, we must question: is valuation more important than values?

3. Labor & Legal Risk:

India's labor laws are evolving. With gig economy rules being reviewed and states tightening occupational safety norms, these companies might soon face compliance crackdowns and lawsuits. What happens when one state demands insurance, while another insists on minimum wages? A PAN-India company like Zomato will have to balance state-specific compliance and central obligations.

4. ESG & Ethical Investing:

Environmental, Social, and Governance (ESG) metrics are now key investor checkpoints. As future chartered accountants and financial advisors, can we justify investing or recommending investment in companies that compromise on the 'S' in ESG? That treat delivery personnel as expendables rather than essential contributors?

From Humanity to Numbers: I've spoken to several delivery partners. Many have shared that they make less than ₹40 per hour if they don't hit targets. Some skip meals to complete deliveries. Others ride through rain without proper gear, afraid that rejecting orders would affect their scores. Bonuses and incentives come with terms and conditions so restrictive that they barely earn it unless they break themselves.

Blinkit delivery partners recently protested, demanding fair wages, cotton uniforms, and breaks during peak summer. Instead of negotiation, their IDs were blocked.

From a Regulatory Standpoint: This model is not sustainable. Not financially. Not ethically. And not legally. With the Ministry of Labour increasingly focusing on gig economy welfare, punitive damages in the future could be severe. If even one state imposes wage floors or demands provident fund contributions, the entire cost structure breaks.

So, what should we do as informed citizens and future professionals?

Ask questions. Raise awareness. Refuse to glorify inhuman efficiency.

Every time you get a delivery at 2 PM in May, remember: someone rode through 43°C for your 15-minute thrill of dopamine. Offer water. Show respect. And when your order is late, hold back that complaint — you're not dealing with robots.

Because they aren't "delivery boys." They are workers. Humans. And no model — no matter how efficient — should devalue that.

UNVEILING THE SECTRETS TO BECOMING 'THE INTELLIGENT INVESTOR'

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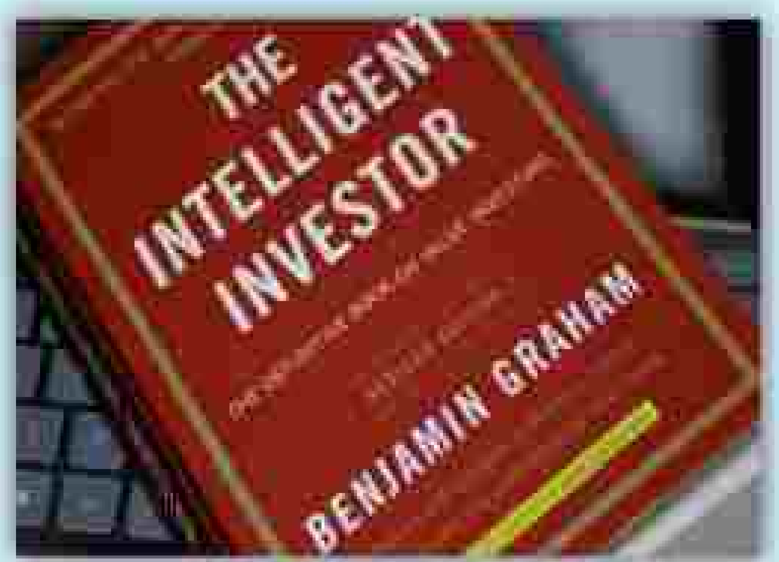
Alike me, have you wondered where does all the ifs and buts on Investment 101 get answered? Well, this would only mean that fortunately there is a book titled 'The Intelligent Investor' authored by Mr. Benjamin Graham and unfortunately we are discovering this news a little later than we ought to have!

Famously known as the Book appreciated by the Legendary Investor himself, Mr. Warren Buffet who goes on to describe it being "by far the best book on investing ever written", 'The Intelligent Investor' diverges many secrets to achieve the title of 'Being an Intelligent Investor'.

This Article debunks the three questions that would suffice it to be called a review of the Book. The questions addressed here are as follows;



1. What inspired Benjamin Graham to write 'The Intelligent Investor'?
2. What are the ingredients to brew a potion to make an Intelligent Investor?
3. How can we readers benefit from the book?

Let us jump in, shall we?

I. WHAT INSPIRED BENJAMIN GRAHAM TO WRITE THE BOOK?

When asked about what inspired Mr. Graham to author such an informative book, Benjamin Graham was inspired to write 'The Intelligent Investor' after witnessing the devastating effects his observation of the irrational behaviour prevalent in the stock market at the time. The book was published in 1949, shortly after the Great Depression and World War II, when the market experienced substantial volatility and speculative tendencies.

His goal was to educate investors about the importance of sensible investing based on careful analysis and fundamental principles. He wanted to provide a roadmap to help individuals navigate the market with prudence and avoid the pitfalls of speculation and emotional decision-making.

As a successful investor and academic, Graham felt a responsibility to educate the average investor on how to preserve wealth and make sound financial decisions based on rational analysis rather than market hype.

He has also co-authored another work titled 'Security Analysis' in the year 1934 which was geared toward professional investors. With his 'The Intelligent Investor', Graham aimed to bring those principles to the broader public—offering a practical guide to investing that was deeply rooted in logic, financial metrics, and psychological discipline.

II. HOW TO BECOME AN INTELLIGENT INVESTOR – TECHNICAL AND STRATEGIC PRINCIPLES:

Mr. Graham's concept of the 'Intelligent Investor' doesn't refer to IQ but to character and discipline. He outlines some comprehensive strategies that include the following the essential and technical principles that an investor needs to take note of and abide by:

1. Embrace the Margin of Safety:

The margin of safety is the difference between a stock's intrinsic value and its market price. Hence, on must buy stocks when they are undervalued relative to their true worth, based on conservative estimates of earnings and asset value as it protects the investor against human error, bad luck, or market volatility.

2. Perform Fundamental Analysis:

An investor has to focus on Real Numbers by analyzing financial statements, particularly earnings, balance sheets, and cash flow.

Considering the Key Metrics such as the following will help make the investor more informed and responsible decision.

a. Price-to-Earnings (P/E) Ratio: Preferably under 15

b. Price-to-Book (P/B) Ratio: Ideally under 1.5

c. Debt-to-Equity: Low leverage indicates financial strength

d. Earnings Stability: Looking for at least 10 years of consistent profitability.

3. Differentiate Between Investment And Speculation:

The crucial difference between Investment and Speculation could be described as; Investment is based on thorough analysis which promises safety of principal and adequate return.Speculation would mean buying based on price movement, trends, or rumours.

Mr. Graham advices to Always know why you're buying a stock—and it shouldn't be because it's going up.

4. Avoid Market Timing:

The Author is quick to warn that even the smartest investors cannot predict short-term market movements. He rather teaches us try to "buy low and sell high," adopt a disciplined strategy to invest a fixed amount regularly to smooth out volatility over time.

5. All Other Do's And Dont's Highlighted In The Book:

· Sr. Graham also emphasizes the importance of diversification which is not just to chase returns, but to minimize risk across sectors and market conditions.

· Beyond selecting the right investments, becoming an intelligent investor requires mastering personal behaviour and portfolio strategy.

· Investors must understand their own risk tolerance and adopt an asset allocation that fits their temperament, whether they are defensive or enterprising.

· Emotional discipline also plays a critical role as by staying calm during market turbulence, resisting the urge to follow the crowd, and maintaining a long-term perspective could save us from potential bumps in our investing journey.
· Ultimately, success in investing depends less on brilliance and more on consistent, rational decision-making supported by patience, humility, and a commitment to fundamental principles.

III. HOW ONE CAN BENEFIT FROM THE BOOK

1. This Book helps us build a Rational Investment Framework by delivering the lesson of instead of chasing hot stocks or reacting emotionally to headlines, investors should learn to analyze companies based on intrinsic value and make calculated and confident decisions.
2. This Book teaches us how to protect Capital in the Long Run by emphasizing risk management through margin of safety, diversification, and defensive investing.

3. The most underrated contribution of this Book is that it cultivates Psychological Resilience. In a world where most investors are influenced by FOMO or fear, 'The Intelligent Investor' trains you to stay calm and logical by turning volatility into opportunity.

Can this Article alone teach us all the golden lessons hidden in the pages of the Book; 'The Intelligent Investor'?

Absolutely not and the aim of this Article has been to achieve in convincing the readers to pick up this Book and kick-start their investing journey, for the Father of Modern Management, Mr. Peter Drucker has himself quoted that "The best way to predict the future is to create it!"

FROM EXEMPTION TO TAXATION: THE FALL OF SECTION 10(38) AND RISE OF 112A

UDAY KUMAR SAHU
CR00752200

Introduction

Section 10(38) of the Income Tax Act, 1961, once exempted long-term capital gains (LTCG) from the sale of equity shares and equity-oriented mutual funds, provided they were held for over 12 months and subject to Securities Transaction Tax (STT). Introduced in 2004 to boost stock market investment, it was abolished by the Finance Act, 2018, effective April 1, 2018, and replaced with Section 112A.

Reasons for Removal:

1)Revenue Loss

The exemption caused significant revenue loss to government as stock market gains grew, with high-net-worth individuals and institutions harvesting tax-free profits. This eroded the tax base, prompting the government to seek sustainable revenue sources.

2)Tax Inequity

Section 10(38) favored capital gains over taxable income sources like salaries or rent, disproportionately benefiting wealthy investors. This imbalance clashed with the principle of equitable taxation.

3)Tax Evasion and Abuse

The provision was exploited through fake transactions, such as circular trading and penny stock manipulation, to launder unaccounted money as exempt LTCG. Despite 2017 amendments mandating STT at acquisition and sale, loopholes persisted.

What the 2017 amendments did:

To tighten the rules and prevent misuse, the government amended the law in 2017 to mandate the payment of STT both at the time of acquisition (purchase) and sale of the shares or mutual fund units. Earlier, STT was mostly charged only on the sale side. This change was meant to ensure that only genuine transactions (where STT is paid both ways) would qualify for the exemption under Section 10(38).

Why loopholes persisted:

Despite this stricter requirement, some investors and entities found ways to exploit loopholes in the law by creating fake transactions that complied with STT requirements but were designed primarily to avoid paying taxes on capital gains. For example:

Circular trading: Buying and selling shares among related parties or through multiple entities without genuine economic substance.

Penny stock manipulation: Using low-value stocks to generate artificial gains exempted under Section 10(38).

What replaced Sec 10(38)?

With the removal of Section 10(38), the Finance Act, 2018 introduced Section 112A, which imposed a 12.5% tax on LTCG exceeding ₹1.25 lakh on the sale of:

1)Listed equity shares

2)Units of equity-oriented mutual funds

3)Units of a business trust

However, this tax applies only on gains exceeding ₹1.25 lakh, and the cost of acquisition for assets acquired before 1 February 2018 is grandfathered—i.e., the gains up to that date are protected from taxation.

ROLE OF INFORMATION ASYMMETRY IN MARKET EFFICIENCY!

Before anything else what is the key driver for earning money?

R.NEHA
SR00764213

Information guides decisions and shapes outcomes. At the end, it is information that creates wealth. And this introduces us to the very know concept and controversial at the same time called Information Asymmetry.

For e g: Charlies Munger was able to outclass the border market and make wealth, was based on Information, oh wait I am not speaking about Insider Trading i.e. Trading with non-publicly available information. By information I mean “Information Asymmetry “

How do markets become efficient?

The answer lies in the core of the concept of efficient market hypothesis which was introduced by Eugene Fama in 1960's.

Let us understand all this one by one:

Introduction

The efficiency of stock markets is a concept in modern finance, influencing investment strategies, corporate governance, and economic growth. The Indian stock market, with its dynamic growth and increasing participation, is no exception. However, one critical factor that impacts market efficiency is information asymmetry

What is Information Asymmetry?

Information asymmetry occurs when one party typically insiders, institutional investors, or analysts (equity research analysts) has superior or earlier access to material information than others, especially retail investors.

Sources of information asymmetry in the Indian stock market include:

Corporate disclosures: Timeliness, completeness, and transparency vary across companies like quarterly reports, concalls after ever significant changes in the business.

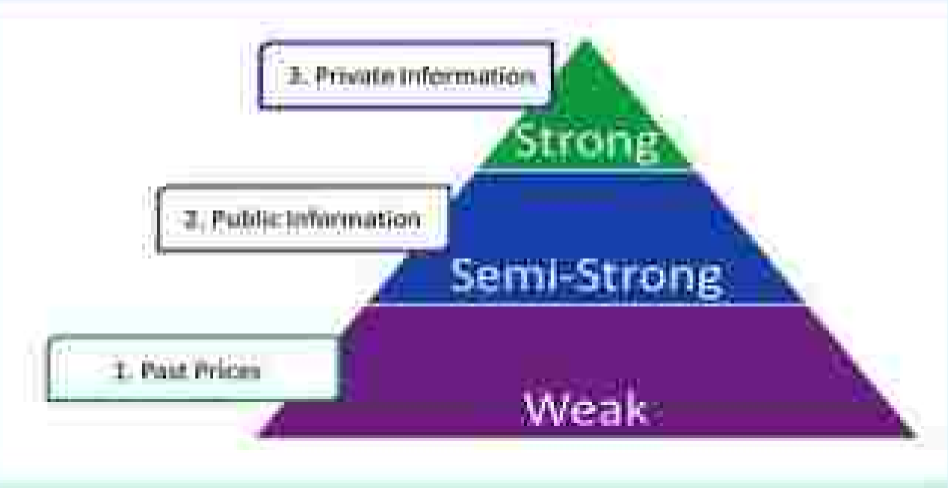
Insider information: Management and key personnel often have access to non-public information
Market intermediaries: Analysts, brokers, and fund managers may have privileged insights as there will be a whole big desk back hand which works on researching on the sector, and companies in depth
Technological access: Institutional investors often have sophisticated tools unavailable to retail investors.

What Is the Efficient Market Hypothesis (EMH)?

The efficient market hypothesis (EMH), alternatively known as the efficient market theory, is a hypothesis that states that share prices reflect all available information and consistent alpha (neither technical nor fundamental analysis can produce risk-adjusted excess returns) generation is impossible.
There is a popular saying "Market Discounts Everything"

According to the EMH, stocks always trade at their fair value on exchanges, making it impossible for investors to purchase undervalued stocks or sell stocks for inflated prices. Therefore, it should be impossible to outperform the overall market through expert stock selection or market timing. The only way an investor can obtain higher returns is by purchasing riskier investments.

Though the efficient market hypothesis theorizes the market is generally efficient, the theory is offered in three different versions: weak, semi-strong, and strong.



The weak form suggests today's stock prices reflect all the data of past prices and that no form of technical analysis can aid investors.

The semi-strong form submits that because public information is part of a stock's current price, investors cannot utilize either technical or fundamental analysis, though information not available to the public can help investors.

Major Developed markets including India are semi-strongly efficient.

The strong form version states that all information, public and not public, is completely accounted for in current stock prices, and no type of information can give an investor an advantage on the market.

Stage of Market Efficiency	Can you earn* using Technical Analysis ?	Can you earn* using Fundamental Analysis ?	Can you earn* using Insider Information ?
Inefficient	Yes	Yes	Yes (Illegal)
Weakly Efficient	No	Yes	Yes (Illegal)
Semi Strong Form Efficient	No	No	Yes (Illegal)
Strong Form Efficient	No	No	No (Still Illegal)

How Valid is EMH?

While academics point to a large body of evidence in support of EMH, an equal amount of dissension also exists.

For Example: Warren Buffet, whose investment strategy of focusing on undervalued stock has made billions.

What can make market more efficient?

The more participants are engaged in a market, the more efficient it will become as more people compete and brings more and different types of information to bear on the price.

Impact of Information Asymmetry on Market Efficiency

Information asymmetry plays a huge role in determining the efficiency of stock markets. Those who can analyse publicly available information like reading concalls, quarterly and annual returns, credit reports, sell side equity reports of the company efficiently and understand the market and signals and amid market noise stands benefit the most, navigating these asymmetries are crucial and gradual enhancement of market efficiency.

This kind of information asymmetry impacts market efficiency through manifest of price formation, trading volume, market volatility, and liquidity

1. INFLUENCE ON PRICE DISCOVERY AND PRICE EFFICIENCY

The main concept of efficient market is that prices instantly and accurately reflect all the relevant information, however when the information is asymmetrically distributed it leads to 2 things

1. Informed traders/investors act on their superior knowledge before information becomes public.

Uninformed traders/Investors make decisions based on incomplete or delayed information.

This disparity leads to a lag in price adjustment, causing prices to deviate from their "true" intrinsic value temporarily.

This further impacts to,

Delayed price reaction: Prices may underreact or overreact to new information as the market digests it unevenly.

2.IMPACT ON TRADING VOLUME

Trading volume generally increases when new information enters the market because investors adjust their positions. However, information asymmetry changes the composition and timing of volume:

1.Informed traders trade aggressively.

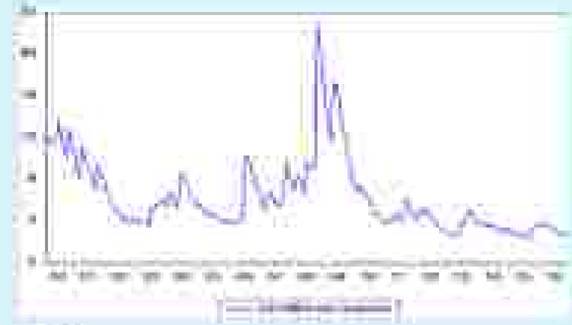
2.Uninformed traders may withdraw from trading, fearing losses.

This impacts in following ways:

Spike in volume prior to information release: Often driven by informed traders.

Reduced participation of retail investors: Due to fear of adverse selection.

3.EFFECT ON MARKET VOLATILITY



Information asymmetry tends to increase volatility because:

1. Informed traders act swiftly on private information.
2. Uninformed traders react with delay or uncertainty, leading to erratic price movements

Impact:

Higher short-term volatility: Due to unequal information release and asymmetric trading.

4.CONSEQUENCES ON MARKET LIQUIDITY

Liquidity, or the ease with which assets can be bought or sold without significant price impact, is severely influenced by information asymmetry:

Reduced willingness to trade: Uninformed investors reduce participation, lowering market depth.

CONCLUSION

Information asymmetry remains a key challenge impacting Indian stock market efficiency by distorting price discovery, altering volume and volatility patterns, and impairing liquidity. However, the India's robust regulatory framework by SEBI and technological advancement are narrowing these information gaps. As we all know insider trading is illegal in India, but we have ways to make wealth using the public information available and beat the nifty, as it's all about finding right growing sector and investing in the fastest running horse in the race.

THE EMIS WE CARRY,- NOT JUST THE FINANCE

It started with a dream.
Mr. Wizard, a 30-year-old salaried professional, had worked hard for nearly a decade. Like many young Indians, he believed that success meant owning a home, driving a nice car, and upgrading his lifestyle. So, when he finally decided to buy a ₹1 crore apartment, it felt like he was stepping into adulthood with pride.

SURAJ NAIK

He paid ₹20 lakhs from his savings and took a home loan of ₹80 lakhs. The EMI was about ₹72,000 per month- "manageable," he thought, considering his income.
What he didn't fully grasp then was that across 20 years, he wouldn't just repay the ₹80 lakhs. He would repay ₹1.73 crores, out of which ₹92 lakhs was pure interest.
Reality hit - The cost of debt isn't just the money you borrow - it's also the time, freedom, and opportunities you quietly give away.

The Comfort of EMIs and the Illusion of Control

Every month, Mr. Wizard's EMI was auto-debited. It became part of his routine. Predictable, Painless, even.

But slowly, he began to feel it.

Vacations were delayed. Investment plans were postponed. He thought twice before switching jobs or taking career risks. The home he proudly owned on paper had quietly become a psychological weight - locking him into a lifestyle of caution and compromise.

And it wasn't just him.

All around, people were buying phones on EMI, bikes on credit, using "buy now, pay later" schemes as casually as buying groceries. Everyone looked successful, but beneath that illusion, many were drowning in debt.

When 'Assets' Become Liabilities in Disguise

Growing up, we were taught to believe that owning things meant building assets. A car. A house. A fancy phone.

But something Mr. Wizard once read in Rich Dad Poor Dad resurfaced in his mind:

"An asset is anything that puts money into your pocket."

So he asked himself:

Does his car generate income? No.

Does the house, which he lives in and pays for, bring in returns? Not yet.

Was the latest phone, purchased on credit, making him richer in any way? Not really.

Most of the things he once thought were assets, he now saw differently. They were not feeding his wealth; they were eating into it.

THE SILENT STRAIN OF DEBT

It's easy to talk about debt in terms of interest rates and EMIs. But there's a deeper, quieter cost - the mental toll it takes.

Mr. Wizard began to notice the stress.

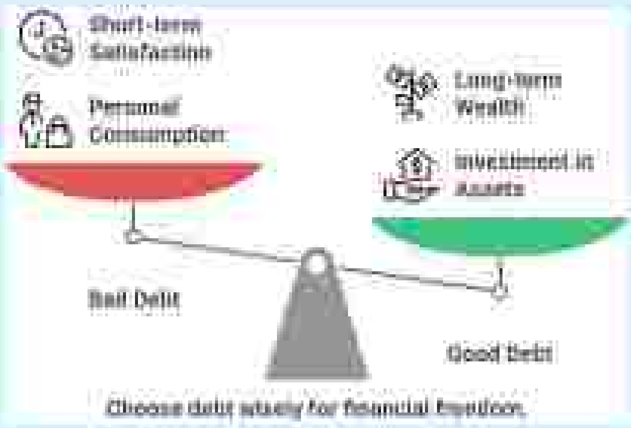
The anxiety of being one layoff away from missing payments. The guilt of spending on small joys while carrying big loans.

The shame that crept in silently when he compared his real life to someone else's Instagram post.

He wasn't alone.

Debt often starts as a tool, but when unmanaged, it becomes a trap. It alters how we think, how we plan, and how we live.

NOT ALL DEBT IS EVIL, BUT KNOW THE DIFFERENCE



Mr. Wizard didn’t blame loans - after all, some debts are actually helpful.
If you borrow money to buy a rental property that generates income, or invest in a business that grows, that’s called good debt. It builds assets, pays itself back, and creates wealth over time.
But bad debt - like spending on unnecessary gadgets or lifestyle upgrades - only satisfies short-term desires while robbing long-term freedom.

The key, he realized, was asking one powerful question before taking any loan:
Is this going to grow in value or generate income?
If not, maybe it’s not worth it.

THE THINGS WE OVERLOOK: SMALL LEAKS SINK BIG SHIPS

Sometimes, it's not the big loans that break us - it's the silent ones. Mr. Wizard checked his monthly statements and found:

₹2999 for a gym he hadn't visited in months ₹1299 for a language app he forgot to cancel ₹4,200 for a gadget bought on EMI

All together, these quiet outflows were draining over ₹8,000 every month. That's nearly ₹1 lakh a year - going nowhere.

He realized budgeting wasn't about saying "no" to life - it was about becoming aware.

Every rupee not tracked was a rupee lost to financial fog.

WHAT CHANGED?

Mr. Wizard didn't become debt-free overnight. But he began to make intentional decisions:

He started prepaying his home loan once a year - just one extra EMI annually. This would save him lakhs in interest and cut down the tenure by 3–4 years.

He sold his unused bike and listed a spare room on rental apps. Suddenly, liabilities became assets.

He used his mobile phone not just for scrolling but for learning and freelancing.

And most importantly, he started saying no - to comparison, impulsive purchases, and unnecessary EMIs.

DEBT IS NOT THE ENEMY, UNAWARENESS IS

Debt, when used wisely, can be a ladder. But when driven by impulse, ego, or social pressure, it quietly becomes a cage.

The real wealth lies not in what you own, but in the freedom to choose how you live. The goal isn't just to earn more - it's to owe less.

Because every EMI you avoid is one step closer to financial independence.

And sometimes, managing debt isn't about money at all - it's about reclaiming your peace.

A FINAL REALISATION

For Mr. Wizard, debt was never the enemy - the real problem was not understanding its weight. Once he became aware, everything started shifting.

Not instantly. But steadily.

He didn't need to cut out all fun, or chase financial perfection.

Just a few conscious choices - saying no to things he didn't truly need, and yes to long-term peace over short-term thrills.

YOUR TURN NOW

If you've ever felt stuck in an EMI cycle,
or wondered where your salary disappears -
you're not alone.

But here's the truth:

You don't need to be rich to be financially free.

You just need to be aware.

Of what you're buying. Why you're borrowing. And how you plan to pay it back.

ART GALLERY

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Upcoming Events

CA Students' Mega Conference - VIMARSH

Editor Of The Month

Samiksha

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