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News: Compulsory Convertible Debentures (CCDs)

- The Competition Commission of India (CCI) has approved subscription to Compulsory Convertible Debentures (CCDs) of Napino Auto and Electronics Limited by International Finance Corporation (IFC).

Compulsory Convertible Debentures (CCDs)

- A Compulsory Convertible Debenture (CCD) is a Bond that must be converted into Equity at its maturity date or when certain events occur. It is a mix of debt and equity features.
- Here conversion is mandatory, unlike in the case of optional convertible debentures where the investor has the choice to convert.
- CCDs are often used by startups and growth-stage companies that are not yet ready to give up equity but need capital for growth.
- It is classified as a hybrid security, as it is neither purely a bond nor purely a stock.

Debenture

- A debenture is a medium- to long-term debt security issued by a company as a means of borrowing money at a fixed interest rate.

- Unlike most investment-grade corporate bonds, it is **not secured by collateral**.
- It is **backed only by the full faith and credit of the issuing company**.

A debenture comes in two forms

- **Non-convertible debenture:** These **debentures cannot be converted into equity shares of the issuing company**. Instead, debenture holders receive periodic interest payments and get back their principal at the maturity date, just like most bondholders.
- The **interest rate attached to them is higher than for convertible debentures**.
- **Convertible debentures:** **May be converted into the company's equity after a set period of time**. That convertibility is a perceived advantage, so investors are willing to accept a lower interest rate for purchasing convertible debentures.

Competition Commission of India (CCI)

- Competition Commission of India (CCI) was **set up under the provision of Competition Act, 2002 but was first constituted in 2009**.
- The aim of CCI is to **establish a robust competitive environment**.
- Members are to be **appointed by Central Government**.
- It is under the **Ministry of Corporate Affairs**.

- Chairperson, 3 Members and the members shall be a person of ability, integrity and standing who, has been or is qualified to be a **Judge of High Court** and **having not less than 15 years of professional experience in industrial matters.**
- CCI launched **green channel route in August 2019 to improve Ease of Doing Business.**
- The **'Green Channel'** would allow automatic approval for certain M&A agreements based on specified criteria and pre-filing consultation.