Compulsorily Convertible Preference Shares

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In news

Recently, the Competition Commission of India (CCI) has approved the acquisition of Rivigo Services Private Ltd (Rivigo), a technology-enabled logistics company in trucking industry, by Spring Canter Investment Ltd (SCIL) through subscription of compulsorily convertible preference shares.

What are Compulsory Convertible Preference Shares(CCPS)?

- CCPS are corporate **fixed-income securities that the investor can choose to turn into a certain number of shares of the company's common stock** after a **predetermined time span** or on a specific date.
- This class of shares are compulsorily convertible into equity shares. The convertible portion can be in full or in part
- The fixed-income component offers a steady income stream and some protection of the invested capital.
- However, the option to convert these securities into stock gives the investor the opportunity to gain from a rise in the share price.
- **Convertibles are particularly attractive to those investors who want to participate in the rise of hot growth companies** while being insulated from a drop in price should the stocks not live up to expectations.
- Companies Act 2013 mentions the issue of Convertible Preference shares on Preferential basis should comply with the conditions laid down in section 42 of the act.
- According to section 42 of the Companies act 2013, the term preference shares mean and includes that part of the share capital the holders of which have a

preferential right over payment of dividend (fixed amount or rate) and repayment of share capital in the event of winding up of the company.