Swiggy CCPS FAQs

1. **What are Compulsorily Convertible Preference Shares (CCPS)?**

   Compulsorily Convertible Preference Shares (CCPS) are a type of preference shares issued by a company with a **mandatory conversion feature.**

   The conversion of CCPS into Equity Shares is Triggered by specific events such as - on a particular date, on the achievement of certain milestones, or on the occurrence of predefined events.

   The conversion price is the price at which the CCPS are Converted into Equity Shares.

   CCPS are a preferred mode of raising funds in Start-ups to ensure mutual benefits of founders, existing shareholders and incoming investors, and to protect their interests.

   CCPS are often issued in the a series and can if the Issuer has issued multiple CCPS', the ISINs for the different series would be different.

2. **What is the difference between CCPS and Common Equity Shares?**

   CCPS has precedence over common equity shareholders in two ways –

   Dividends: CCPS holders receive dividends before equity shareholders.
   Bankruptcy: CCPS holders receive a return on their capital on a priority basis when compared to other shareholders.

   CCPS may or may not carry voting rights. The terms of the CCPS agreement define whether the holders of CCPS have voting rights or not.

3. **What are the features of Swiggy's CCPS?**

   Each CCPS of Swiggy is convertible into 1401 Common Equity shares (in short the ratio is 1:1401).

   While the shares are in the CCPS form, your Demat holdings will reflect 1 CCPS unit of either Series A: ISIN INE00H003028 or Series B: ISIN INE00H003036 or Series H: ISIN INE00H003119. Once they are converted to Common Equity shares, they will automatically reflect 1401 units but with ISIN of INE00H001014.

4. **How and when do the shares get converted to Common Equity Shares?**

During IPO: CCPS typically will get automatically converted to common equity during the IPO process of the company.

Within 20 Years: Investors must convert CCPS to common equity shares within a maximum of 20 years from issuance.

At the request of Investor: An investor can reach out to the company to get their shares converted into Common Equity.

5. **Is there a possibility that the CCPS don't get converted?**
   As mentioned above, since these shares are Compulsorily convertible, the shares would get converted to Common Equity at a certain point of time.

6. **As a CCPS shareholder, will we get all the information regarding the company?**
   Yes, you will get all the information regarding the company.

7. **Why are CCPS shares of Swiggy trading at a discount to its Common Equity share price?**
   CCPS shares of Swiggy are trading at a discount due to mainly 2 reasons:
   - Less Supply of Common Equity shares of Swiggy.
   - Higher ticket size like in the case of Swiggy where a new investor has to buy 1 lot which is 1401 equity shares.

8. **What is the timeline for the delivery of Swiggy CCPS?**

   We expect to deliver the Swiggy CCPS units within a time frame of T+21 working days from the date of launching these shares on our platform. We expect the CCPS bought before 25th Sep'24 to reflect in your demat account by 30th Sept'24.

   We will be having limited quantities on Swiggy and are seeing unprecedented demand for it and the price may increase based on the demand supply situation, so we would not suggest you to wait until later if you're looking to invest in these shares.

   The delivery is taking place for a time period which is more than our normal TAT of 3 working days because of the lengthy one-time documentation process that the original seller has to undertake in order to sell these CCPS.

9. **Can CCPS be sold off?**
   Yes, CCPS can be sold off in the open market. Having said that, do note that there is a liquidity risk in Unlisted CCPS/ shares.

   Liquidity Risk: Since unlisted CCPS/ shares are not traded on an exchange, it is difficult to sell it. We suggest that an investor should not invest in unlisted equities with a mindset of trading or selling it in a short period of time. One should be prepared to hold it for a few years at least or until the IPO of the share.

10. **What is the ISIN number?**

The ISIN of the CCPS to you would be either of Series A: ISIN INE00H003028, Series B: ISIN INE00H003036, Series H: ISIN INE00H003119. Once they are converted to Common Equity, the ISIN would be INE00H001014.

11. **Will the CCPS be seen in my Demat account?**
    Yes, the CCPS will be seen in your Demat account. You can check your Demat account with the ISIN of the CCPS that you have purchased.

12. **Can NRI's invest in CCPS via NRO?**

    NRIs can invest in CCPS only via their NRO demat and bank accounts. Investing via NRE demat and bank accounts is not allowed.

13. **What will be the taxation implications of CCPS?**

    When CCPS get converted to Equity Shares: Conversion of CCPS into equity shares is not considered as a taxable transfer under Income Tax.

    Cost of acquisition for the purpose of computation of capital gain takes the cost incurred for the purchase of original preference shares.

    Post conversion into Equity Shares, they will be treated as Equity shares for the purpose of Capital Gains taxation.

    If you sell the shares while they are unlisted:
    STCG (Short Term Capital Gains): Unlisted shares held for less than 24 months are considered as short term and gains are taxed as per the investor's tax slab for the year.

    LTCG (Long Term Capital Gains): Unlisted shares held for more than 24 months are considered as long term in nature and gains are taxed at 12.5% (no indexation available).

    Securities Transaction Tax or STT are not applicable to transactions involving unlisted shares. It is only levied on transactions that are executed on recognized stock exchanges in India.

    If you sell the shares once they are listed through an exchange, then STT will be applicable. Shares held over 1 year would be classified as long term and would be taxed at 12.5% without indexation.

In case you are interested in knowing more please find below the respective point of contacts from InCred Money.

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