



**“Hi ! this week
I am taking the
opportunity
to simplify the concept of
Non-Convertible
Debentures (NCD)**



What is a Debenture?

- **A Debenture is a type of a debt instrument used for asset allocation which helps diversification of your portfolio**



Types Of Debentures



➤ **Convertible Debenture**

Convertible debentures are unsecured bonds that can be converted to company equity or stock.

➤ **Non-convertible Debentures (NCD)**

Nonconvertible debentures are unsecured bonds that cannot be converted to company equity or stock.



Salient Features Of NCD

- NCDs are traded on Stock Exchanges
- Issuance and Trading will be in Demat form only.
- Interest will be paid through Direct Credit ECS / RTGS / NEFT mode.
- A good credit rating is required for the company to issue a NCD .



Who Should Invest In NCD's?

- Investors who expects a stable consistent return with least risk.
- Investors who want to have consistent monthly returns.
- Fixed Deposit Investors can look at NCD's to improve their returns.
- Investors looking at portfolio diversification with the Fixed Income security.



Benefits of investing in NCD's

Better Returns

NCD's provide a higher rate of interest for their investors.

Good Liquidity

To sell NCDs, investor has two options.

- Sell on the Stock Exchanges.
- Exercise the Put /Call option



Tax Implications



- No Income Tax is deductible at source as per the provisions of Sec 193 of the IT Act.
- The interest will be taxable in the usual course as per the income tax slab of the investor.
- If investor sells the NCD at the stock exchange, it will be treated as a long-term capital asset.



Key Parameters of NCD's

- **Coupon Rate** : The interest rate payable to the investor.
- **Face Value** : The nominal value of a NCD stated by the issuer.
- **Redemption** : The return of an investor principal.
- **Market Value** : The last reported sale price .
- **Yield** : The annual returns on an investment expressed as a percentage.





**Hope this series has given you
clarity on basic understanding of
NCD'S**

**Your views are very important to
me so, do post your feedback as it
helps me plan my future lessons.**

