

# CCPS, CCDs, iSAFEs and convertible notes

The four ways Indian startups raise early money, side by side, with which to pick and the paperwork after the round.

|                         | CCPS                                  | CCD                  | iSAFE                                                    | CONVERTIBLE NOTE                                                         |
|-------------------------|---------------------------------------|----------------------|----------------------------------------------------------|--------------------------------------------------------------------------|
| What the investor holds | Preference shares                     | Debentures           | Preference shares (CCPS)                                 | A note (debt until converted)                                            |
| Valuation needed now    | Usually yes, priced round             | Usually yes          | Often deferred to the next round                         | Deferred                                                                 |
| Conversion trigger      | Fixed date or events in the agreement | Fixed date or events | Next priced round, change of control or a long-stop date | Agreed events or the investor's choice                                   |
| Outer time limit        | 20 years                              | 10 years             | 20 years (as CCPS), often 10 in practice                 | 10 years                                                                 |
| Interest or dividend    | Token dividend                        | Can carry interest   | Token dividend                                           | As agreed                                                                |
| Who can use it          | Any company                           | Any company          | Any company                                              | DPIIT-recognised startups, at least ₹25 lakh per investor in one tranche |

## Which to pick when

| SITUATION                                                      | USUALLY WORKS BEST   |
|----------------------------------------------------------------|----------------------|
| Small angel cheques before you can price the company           | iSAFE                |
| A priced seed or Series A with a lead investor                 | CCPS                 |
| A DPIIT startup raising ₹25 lakh or more per investor, quickly | Convertible note     |
| An investor who wants interest until conversion                | CCD, with tax advice |

## Compliance after the round

1. Board and shareholder approvals, including a special resolution, and MGT-14 where required
2. Private placement offer letter (PAS-4) to each named investor
3. Money received into a separate bank account
4. Allotment within 60 days of receiving the money, or refund within the next 15 days (or pay 12% a year interest)
5. Return of allotment (PAS-3) within 15 days of allotment
6. Share certificates within two months, or credit to demat accounts where required
7. Foreign investor: price at least fair value with a CA or merchant banker valuation, and Form FC-GPR within 30 days of allotment (again on conversion)

**Example:** ₹50 lakh on an iSAFE with a 20% discount and no cap. The next round prices at ₹100 a share, so the iSAFE converts at ₹80: 62,500 shares, against 50,000 for a new investor paying the same. Timelines change, so check each one with your company secretary before you close.