



Question 8. What is a 'Convertible Debenture'?

Answer: Convertible Debentures are those debentures which are convertible in equity shares after some specified time generally mentioned at the time of issue of such debentures. These convertible debentures are divided into two categories

(i) Partly Convertible Debenture: In this type of debenture only a part of such debenture is convertible in equity shares which is mentioned at the time of issue.

(ii) Fully Convertible Debenture :These are fully convertible into equity shares. It means in case of fully convertible debenture the whole amount of such debenture, is convertible in equity share after the period mentioned in the prospectus.

Question 9. What is meant by 'Mortgaged Debentures'?

Answer: Debentures which are secured against asset/s of a company known as Mortgaged Debenture. Mortgage Debentures are of two types first fixed charge mortgage debenture and second floating charge mortgage debentures.

When debentures are secured against a particular asset, then they are called fixed charge whereas, if the debentures are secured against all the assets of a company, then it is called floating charge. Mortgage debentures can only be sold by the holder when company fails to pay its loan or interest there on.

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