mint

Centre extends timeline for converting debt into equity for startups to 10 years

Investor can ask startups to convert their money invested as debt into equity shares. **(iStockphoto)**

1 min read . Updated: 20 Mar 2022, 03:54 PM IST

- Earlier, startups had 5 years time period for converting their debt investment into equity shares effective from the initial day of the convertible note issued.
- Investor can invest in a startup using convertible notes which are debt or loan instruments.

The Department for Promotion of Industry and Internal Trade (DPIIT) has reviewed the extent of FDI policy in India and announced various amendments. Among the key notable modifications is for startups, as the government extended the timeline to 10 years to convert debt investment in a company into equity shares.

Earlier, startups had 5 years time period for converting their debt investment into equity shares effective from the initial day of the convertible note issued.

In a press note, the DPIIT said, "Convertible note means an instrument issued by a startup company acknowledging receipt of money initially as debt, which is repayable at the option of the holder, or which is convertible into such number of equity shares of such startup company, within a period not exceeding ten years from the date of issue of the convertible note, upon the occurrence of specified events as per the other terms and conditions agreed to and indicated in the instrument."