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20 October, 2007

Mid-cap CBs return

Bookrunner *Citi* successfully completed a US\$75m five-year CB for Indian mid-cap **Plethico Pharmaceuticals** that was backed by an interesting structure. The bonds converted at a 35% premium to the Rs447.95 closing price for the shares on NSE on October 15. The deal, however, carried a conversion price reset on October 22 2008 (the reset date) based on some thresholds being attained during that time.

If the reset price is greater than 200% but less than 250% of the reset date conversion price, the price at which the bonds will be converted will be adjusted to 125% of the price on the reset date. And if the reset preference price is greater than 250% the conversion price will be adjusted to 130% of the reset date conversion price.

The zero coupon bonds carried a yield-to-maturity of 7.7%. The bond floor was 91.3 and implied vol was 30% based on a 450bp over Libor spread assumption. About 15 accounts came in and the bonds were trading at 101 in the grey. *Citi* provided credit for a third of the deal.

Proceeds will be used to finance the acquisition of one or more pharma related businesses.

Broadly, the deal is significant because it is the second one from the Indian mid-cap deal in the last few weeks, signalling a re-opening of the market. Both deals were led by *Citi*.