



Securitisation case studies by Vinod Kothari

Belgian Diamond inventory
securitisation

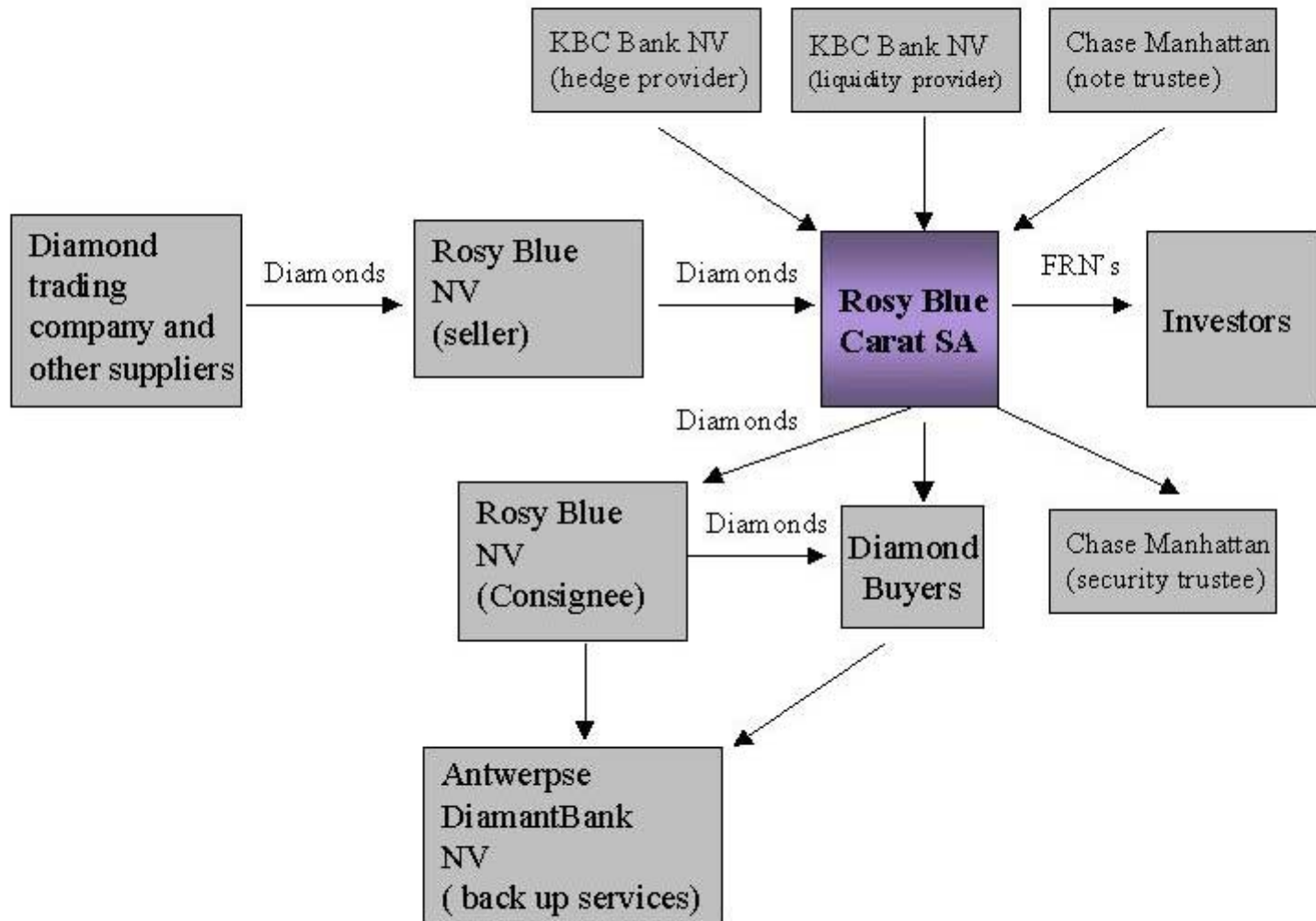
The Rosy Blue diamond securitisation deal

- ✓ Raised USD 100 million for Rosy Blue, a Belgian diamond trader.
- ✓ Rosy Blue owned by an Indian
- ✓ demonstrates excellent use of whole business device for inventory securitisation
- ✓ Almost the entire funding for Rosy Blue currently comes out of securitisation
- ✓ One of the 3 deals from Belgium in year 2001

The securities

- ✓ Floating rate notes rated A
- ✓ Sold to investors on floating rate basis; hedged with a hedge counterparty
- ✓ cost to Rosy Blue 9%
- ✓ 8 year funding against inventory stock worth USD 165 million.

Transaction Diagram of Rosy Blue Securitization



Flow of the deal

- ✓ At inception, operating company sells USD 165 million worth diamonds to SPV
- ✓ SPV sends it back on consignment basis. Diamond stocks remain with the operating company but the property of the SPV
- ✓ Operating company gets USD 100 million from SPV; balance a deferred consideration, subordinated.
- ✓ Whenever any diamond is to be sold, SPV makes a sale to operating company; operating company makes a sale to buyer.
- ✓ Proceeds come to SPV; are revolved back to buy fresh diamonds
- ✓ If trigger events happen, the sale proceeds can be used to pay off investors
- ✓ At any time, investors fully collateralised by commodity - a unique instance of physical asset securitisation