

Sri Lanka retailer raises 5-year money through securitization

Jan 24, 2011 (LBO) - Sri Lanka's NDB Investment Bank said it had raised a billion rupees for Richard Pieris Distributors, retail chain, for five years backed by cash flows due from the settlement of sales made through credit cards. Richard Pieris Distributors operate Sri Lanka 'Arpico Super Market' chain.

NDB Investment Bank said funds were raised from a consortium of banks and unit trusts by selling the securitized paper.

In the deal proceeds of credit card sales of several 'Arpico' outlets due from the so-called 'acquiring bank' that processes and settles the retailer were placed in an escrow account specifically to pay off the securitized paper holders.

An acquiring bank usually settles the firm that accepts credit cards, a so-called merchant, within two days.

In typical securitization cashflow generating assets are placed in a special trust or company (special purpose vehicles) and paper issued against them.

Darshan Perera chief executive of NDB Investment Bank said Richard Pieris had put in a lot of effort to complete the transaction.

Richard Pieris Distributors would use the money to expand its network, the investment bank said.

Source: <http://www.lankabusinessonline.com/fullstory.php?nid=383478701>