Structured Finance

Drokasa

HIGHLIGHTS

- **US$25mn securitization of Corporación Drokasa current and future receivables**
- **First partial credit guarantee by IFC in Peru**
- **IFC partial guarantee for up to 30% of the outstanding principal amount**
- **Issuance more than 4 times oversubscribed and broadly placed amongst domestic investors**

THE COMPANY

Corporación Drokasa S.A. (the "Company" or the "Group") is a leading Peruvian agricultural and industrial conglomerate with three core activities: (i) the manufacture, marketing, and sale of pharmaceutical products; (ii) the production and export of asparagus and table grapes; and (iii) the import and distribution of chemicals, agrochemical, and health and beauty products. In 1995, as part of a diversification strategy, the Group expanded into horticulture, creating Agrokasa S.A. ("Agrokasa"), a company with an export oriented business model that makes use of Peru's natural comparative advantages in the production of asparagus and grapes.

FINANCING OBJECTIVES

The financing objectives were twofold: (1) finance the capital expenditure and on-going maintenance program of the Group's subsidiaries, and (2) refinance the Company's outstanding short-term and long-term debt. The debt refinancing allowed the Company to refinance higher-cost restrictive debt and focus on its long-term growth plans. The total financing package, including the Company's internal cash generation, amounted to US$50 million. The Group's objective was also to participate in the public capital market with a view to broaden its equity or debt financing options in the future.

THE STRUCTURE

The transaction was structured as a securitization of Drokasa's current and future sales receivables by using a bankruptcy remote trust domiciled in Peru. The trust receives all of the Group's sales to non-related parties on a daily basis and the Trustee makes a daily allocation to the bondholder payment account, such that on a payment date, the account will be 6 times over-collateralized. The over-collateralization level will step up if certain performance triggers are hit. The Trust has several reserve accounts for the benefit of bondholders. Additionally, there is a separate account for the payment of the IFC guarantee fee, which is pre-funded. In the event of a debt acceleration, bondholders have recourse to the originator. As part of the transaction, IFC provided a partial credit guarantee for up to 30% of the outstanding bond principal. The IFC guarantee covers both principal and interest. The guarantee can be drawn following an acceleration of the bonds and a payment default by the originator. IFC's guarantee made it possible for the issuer to achieve a triple-A national scale rating, a two-notch increase from the trust structure's stand-alone double-A rating.

IFC | **International Finance Corporation**
World Bank Group

OUTCOME

Bonds were placed on June 16, 2005 after a road show arranged by the structuring bank—Interinvest, part of the Interbank Group. The issuance was more than 4 times over-subscribed and the interest rate was 5.42% fixed. The bonds were placed using a Dutch Auction mechanism among 6 different classes of investors, including individual retail investors. Pension funds represented the largest segment with a 36% allocation. Bonds were placed at par and the rate translated into a material cost-savings for the company.

The issue marked the introduction of IFC's structured products to the Peruvian market. Moreover, it contributed to the development of local capital markets by introducing a new issuer and a highly rated new asset class to investors. It also allowed a first time issuer to cost-effectively raise capital amongst local investors.

TERMS AND CONDITIONS

Amount	US$25mn issued at par
Currency	US Dollar
Issue Date	June 16, 2005
Maturity	6 years
Series	Single Series
Interest Payment	5.42% fixed rate, payable quarterly
Principal Payment	Amortizing in 24 equal installments
Rating	AAA(pe) by Apoyo & Asociados Internacionales S.A.C. and AAA(pe) by Equilibrium Clasificadora de Riesgo S.A.
Enhancement	IFC guarantee of up to 30% of principal outstanding covering both principal and interest

RECEIVABLES PAYMENTS

BUYERS ← PRODUCTS ← DROKASA → ASSIGNMENT OF FUTURE RECEIVABLES → SPV

BOND PROCEEDS

BOND PROCEEDS / BOND

PAYMENT OBLIGATION

BONDHOLDERS