Early Warning System

IFC-45178

DCM Red RealFIDC

Quick Facts

Countries	Brazil
Specific Location	Uninformed
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	B
Voting Date	2022-04-25
Borrower	Red Fundo de Investimento em Direitos Creditorios Real LP
Sectors	Finance
Investment Type(s)	Loan
Investment Amount (USD)	$ 97.19 million
Loan Amount (USD)	$ 97.19 million

Project Description

According to the IFC, the proposed project (the “Project”) consists of a 5-year (2 years of grace period) investment of up to BRL 480 million in senior quotas of Red Real FIDC (“Red Real” or the “Fund”), managed by RED Asset Gestão de Recursos Ltda (“RED Asset” or the “Fund Manager”), an existing IFC client. The Project aims to continue supporting RED Asset’s lending program to small and medium enterprises (“SMEs”).

People Affected By This Project

IFC anticipates that the Project will support an increase in access to finance for Brazilian SMEs, helping to address an SME finance gap estimated at US$437 billion, the ninth largest gap among 128 developing countries, and approximately 25% of the GDP. Moreover, SME finance has decreased during 2020-2021 in a period of recession when banks were restricting their loans and going for less risk portfolios.

IFC anticipates that the Project will contribute to greater resilience in the SME finance market through demonstration and replication channels by unlocking alternative funding sources for lenders in the SME financing segment. The credit market in Brazil is characterized by a high degree of concentration where banks control the lion’s share with the top 5 banks responsible for about 70% of the total credit volume in the country. This market dominance enables banks to realize good profits dampening their appetite for targeting underserved segments such as SMEs. Worse still, banks perceive SMEs as a high-risk segment and retrench from this segment especially during stress periods such as the COVID-19 pandemic. This flight to quality phenomenon was evident during the pandemic as there was a decline of approximately 3% in the share of SME financing by commercial banks in 2021 to 61.7% from roughly 64.7% in 2020.

Investment Description

- International Finance Corporation (IFC)

According to the IFC, The Project consists of an up to BRL 480 million (up to US$90 million) investment in senior quotas of Red Real, to be structured in two commitments. The first commitment amount is up to BRL320 million (equivalent to up to US$60 million).

Financial Intermediary

Financial Intermediary: A commercial bank or financial institution that receives funds from a development bank. A financial intermediary then lends these funds to their clients (private actors) in the form of loans, bonds, guarantees and equity shares. Financial intermediaries include insurance, pension and equity funds. The direct financial relationship is between the development bank and the financial intermediary.

- RED Asset Group (Financial Intermediary)

Private Actors Description

According to the IFC, RED Asset Group was established in 1992, specializing in credit operations to SMEs in Brazil and has the following ownership structure: (i) Hai Participacoes e Empreendimentos Ltda (47.6%); (ii) Lavan Participacoes e Empreendimentos Ltda (47.6%); and (iii) the remainder belonging to its managing directors (4.8%).

Contact Information

RED Asset Gestao de Recursos Ltda
Filipe Guimarães
Chief Financial Officer
+55 (11) 3038-5838
filipe.guimaraes@redasset.com.br
Av. Cidade Jardim, 400, 14 andar, Sao Paulo
www.redasset.com.br

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