

Diamond Industry Awaits Updates on Leviev

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Sept. 6, 2009 - [PRLog](#) -- The Israeli economy was shaken last week by the announcement made by the chairman of Africa Israel and LLD Diamonds Lev Leviev that he intends to launch a restructuring plan and attempt to reschedule the payment of Africa Israel's debts to bondholders and banks.

Leviev's announcement followed the publication of Africa Israel's fiscal reports, which included warnings about its financial capabilities and raised concerns regarding the company's ability to repay its debts in 2011 and onwards.

Africa Israel lost some NIS 1.3 billion in Q2 2009, and investors responded anxiously to these developments: the company's stocks dropped 30% since the beginning of last week, though there was a certain recovery on Tuesday after two days of sharp declines.

Leviev announced his intention to keep selling the company's assets in Israel in order to repay debts to investors. In the past few months, Africa Israel has repaid fund payments and the interest for bonds and commercial securities at the scope of some NIS 3.3 billion and sold a series of assets in Israel, including the Africa Israel Tower in Tel Aviv, Ramat Aviv Mall and Savyonim Mall. However, there is still concern about the company's solvency, as it still has to repay billions of shekels to the banks and to its bondholders in the upcoming few years.

The day after Leviev's announcement, Israel's Minister of Finance Yuval Steinitz stated during an interview for Galei Tzahal that the government has no intention of "bailing out" the Israeli billionaire nor will it meddle with the markets to prevent his collapse. "This is not a joyful occasion, but it is also not a macroeconomic event and will not have an overall effect on the market." Minister Steinitz added that the public's exposure to Africa Israel's overall assets and funds is still very limited.

Leviev is the first Israeli tycoon to attempt to reschedule his debts in the shadow of the financial crisis. After the reports were published, At a press conference that Leviev held earlier he stated: "I did not steal, I did not cheat and there are a lot of people who have made a lot of money from Africa Israel. If we manage to survive the crisis, we'll be laughing all the way to the bank."

Leviev added: "I am doing everything I can to bring the company back to its days of glory. This is a very daring move." Leviev stated that the company plans to restructure its work methods and allocate resources to enlarge the stockholders' future profits. "It's time to stop selling off assets and start improving them. When the crisis is over, we plan to have assets in an advanced state of construction and betterment. It's time to return to the primary strategy: entrepreneurship and development."

Leviev's diamond business may have been hit by the crisis, but it is far from collapsing. Leviev owns several diamond mines and polishing factories, mostly in Africa and in Russia. He also owns luxury jewelry stores in London, Moscow and New York. This week TheMarker reported that the Diamond Exchange estimates the value of LDD Diamonds at some \$2.4 billion. Leviev exported \$417 million worth of diamonds in 2008, a drop of some 20% compared to 2007. Leviev is considered the world's biggest private diamond dealer. However, the rate of Leviev's diamond exports has been dropping ever since 2005, when he exported some \$600 million of worth of diamonds.

Four months ago Leviev spoke about the diamond industry, and said that his position in the industry was good. In an interview for News1, Leviev stated: “We're doing well. Last December saw a drop of 15% in the global sale of polished diamonds. So I sell a little less and wait for better times.”

In the interview, Leviev also referred to the opening of a new diamond polishing factory in Moscow, and stated: “I just opened a new factory that will supply diamonds to the Russian market for hundreds of millions of dollars. There has been a drop of 25% in the sale of polished diamonds in the world, but that does not affect us.”

Leviev launched the diamond polishing factory some six months ago at the Ural region in Russia, as part of the group's extensive operations in Russia. Leviev's fine jewelry factories provide merchandise valued at millions of dollars to the Russian market, and the Israeli diamond dealer also holds four diamond mines in Perm Krai in the Ural region.

Last April it was reported that Leviev's capital dropped from \$4-4.5 billion in 2008 to \$1.13 billion in 2009. Leviev's diminishing capital undoubtedly reflects the current financial crisis, while the latest development underscores his plight and agitates the entire market, not just the diamond sector. What remains is to continue following the discussions over the arrangements that will shift to high gear in the coming days.

Shlomi Peles, Leviev's personal assistant at LDD Diamonds, declined to comment on the matter.

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The Israeli Diamond Industry organizations

Behind the Israeli Diamond Industry are a group of vital and dynamic institutions. Each one is responsible for a different aspect of the industry's activities.

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