

ACRA UPGRADES BUSINESS ALLIANCE SC TO BB+(RU), OUTLOOK POSITIVE

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The credit rating of **BUSINESS ALLIANCE SC** (hereinafter, BUSINESS ALLIANCE, or the Company) has been upgraded based on the improvement of the quality of corporate governance on the back of the Company's relatively successful development and higher business diversification, which is partly related to the change in approaches to assessing business diversification in the [Methodology for Assigning Credit Ratings to Leasing Companies on the National Scale for the Russian Federation](#). The Company's credit rating is also based on the weak assessment of its business profile and satisfactory assessments of capital adequacy, risk profile, and funding and liquidity.

BUSINESS ALLIANCE is a leasing company located in Moscow that has operated in the leasing market since 2006. The Company has experience of leasing various types of equipment, railroad and road construction equipment, and sea and river vessels. The Company has specialized in leasing special equipment for the housing and public utilities sector since 2020, and since 2023, BUSINESS ALLIANCE has carried out projects to lease special machinery and equipment to mine and transport coal, metallurgy equipment, equipment for oil production and oil refining, as well as construction machinery.

The Agency has retained the Positive outlook on the Company's credit rating to reflect its opinion on the high likelihood of the rating being upgraded over the next 12–18 months due to a possible improvement of the assessment of the Company's competitive position at the same time as internal funds exceeding RUB 1 bln and other assessment factors remaining unchanged.

KEY ASSESSMENT FACTORS

Weak business profile assessment. BUSINESS ALLIANCE is a relatively small company, whose internal funds amounted to around RUB 800 mln as of June 30, 2024. ACRA notes significant growth of the Company's portfolio, strengthening of its positions in the leasing market, and the broadening of its operations in 2023 and 2024, which is reflected in growth of diversification by type of leased items, counterparties, and geography of presence. The Company's lease portfolio, which, as of June 30, 2024 was RUB 19 bln, has grown by 30% compared to the start of the year and by 2.5x relative to the same period in 2023.

The transport, equipment and machinery that make up the Company's portfolio determine its medium level of liquidity. BUSINESS ALLIANCE specializes in working with large mining, manufacturing, construction and transport enterprises. Therefore, the diversification of the portfolio by leasing item segments is determined by the largest contracts signed over the past year. The key segments in H1 2024 were construction and special equipment (43%), railway equipment (23%), and special equipment for housing and communal services (11%). In terms of geography, the main regions of presence are the Siberian, Ural, and Central Federal Districts, which occupy 43%, 27%, and 20% of the lease portfolio, respectively.

BUSINESS ALLIANCE plans to continue developing in the corporate client segment by expanding its client base and portfolio structure by types of equipment. The Company views Russia's economically strong regions as priority areas for maintaining a geographic presence.

The Company's stable performance over the past few years allows ACRA to assess its corporate governance as satisfactory.

Satisfactory capital adequacy assessment. The Company's capital adequacy ratio (CAR) was 7–8% over the first and second quarters of 2024, which ACRA assesses as rather weak. As of December 31, 2023, the CAR was 11%. The expected decline of CAR in 2024 is the result of the portfolio growing faster than the Company's capitalization.

The Company's financial results are comfortably high — the averaged capital generation ratio calculated for the past five years is 250 bps. This, in turn, allows capital adequacy to be assessed as satisfactory.

Satisfactory risk profile assessment. ACRA notes the absence of debt overdue by more than 30 days and involuntarily restructured contracts in the Company's portfolio. The level of the Company's potential problem debt was assessed at lower than 5% as of March 31, 2024. The high concentration of the portfolio on lessees continues to put pressure on the final risk profile assessment. Almost all of the Company's portfolio is made up of contracts with the 10 largest groups of clients. The largest client accounted for 39% of the portfolio as of March 31, 2024 (as of the end of H1 it accounted for 33%). According to ACRA's estimates, other types of the Company's risks are insignificant and do not influence with assessment of the factor.

Satisfactory assessment of funding. The main source of financing for the Company's operations continues to be bank loans, which accounted for 64% of liabilities as of March 31, 2024 (73% as of June 30, 2024). BUSINESS ALLIANCE obtains loans from a large number of banks. The share of the largest banks in the portfolio continues to decline, but remains significant. The share of the largest creditor as of March 31, 2024 was around 22% of liabilities, while the five largest accounted for 55%. BUSINESS ALLIANCE also issues bonds, which accounted for a 13% share of the Company's liabilities as of March 31, 2024.

The satisfactory liquidity position assessment stems from the fact that under ACRA's base case scenario, the projected current liquidity ratio on a 12 to 24-month horizon exceeds 1.0, taking into account plans to grow new business and existing contracts. There is a moderate need for additional liquidity under the stress scenario. The Company is able to raise bank financing under open limits and can rely on the owner's funds if emergency support is necessary.

KEY ASSUMPTIONS

- Maintaining the Company's business model over the 12 to 18-month horizon;
- CAR of no lower than 6% over the 12 to 18-month horizon;
- Share of problem and potential problem debt in the lease portfolio at below 5%.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

The **Positive outlook** assumes that the rating will highly likely be upgraded within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Considerable strengthening of the Company's market position coupled with maintained quality of the lease portfolio and profitability;
- Considerable increase of capitalization;
- Significant growth of diversification of funding in terms of sources and creditors.

A negative rating action may be prompted by:

- Deterioration of the financial standing of the largest lessees;
- Decline of the CAR and/or the Company's ability to generate capital;
- Deterioration of the liquidity position.

RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **bb+**.

Adjustments: none.

Support: none.

ISSUE RATINGS

No outstanding issues have been rated.

REGULATORY DISCLOSURE

The credit rating has been assigned to BUSINESS ALLIANCE SC under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Leasing Companies on the National Scale for the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating of BUSINESS ALLIANCE SC was published by ACRA for the first time on August 22, 2022. The credit rating and its outlook are expected to be revised within one year following the publication date of this press release.

The credit rating was assigned based on data provided by BUSINESS ALLIANCE SC, information from publicly available sources, and ACRA's own databases. The rating analysis was performed using the IFRS and RAS financial statements of BUSINESS ALLIANCE SC. The credit rating is solicited and BUSINESS ALLIANCE SC participated in its assignment.

In assigning the credit rating, ACRA used only information, the quality and reliability of which were, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

ACRA provided additional services to BUSINESS ALLIANCE SC. No conflicts of interest were discovered in the course of credit rating assignment.

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