

October 6, 2020

Lead analysts:

Alla Borisova, Associate Director  
+7 (495) 139-0480, ext. 153  
alla.borisova@acra-ratings.ru

Suren Asaturov, Associate Director  
+7 (495) 139-0480, ext. 130  
suren.asaturov@acra-ratings.ru

Key rating assessment  
factors

## ACRA assigns BB+(RU) to LLC “Leasing-Trade”, outlook Stable

The credit rating of [LLC “Leasing-Trade”](#) (hereinafter, Leasing-Trade, or the Company) is based on the moderate business profile assessment, adequate capital adequacy and risk profile, and the satisfactory funding and liquidity assessment.

Leasing-Trade is a universal leasing company that has operated in the leasing market for 15 years. The Company’s clients include organizations of various sizes, with small businesses currently accounting for the largest share. Leasing-Trade leases passenger and commercial vehicles, special equipment, and industrial equipment. The Company is present in ten Russian cities and is headquartered in Kazan. The Company is owned by O. V. Prokopyev, who also holds a 60% stake in LLC CBED «THE BANK OF KAZAN» ([ACRA rating BB+\(RU\), outlook Negative](#), hereinafter, the Bank of Kazan) via Leasing-Trade.

**Moderate business profile assessment.** As of Q1 2020, Leasing-Trade’s lease portfolio amounted to RUB 4,326 mln, the volume of new business was RUB 543 mln, and the Company occupied a medium position in the sector in terms of asset volume. The Company consistently records moderate portfolio growth. As of March 31, 2020, the passenger vehicle and commercial vehicle segments accounted for 61% of the portfolio (including buses, 8%), special equipment accounted for 21%, and equipment accounted for 17%. ACRA assesses the liquidity of leased assets as above average, considering the significant share of vehicles and liquid special equipment. ACRA notes the high diversification of the portfolio by counterparties: the share of the largest counterparty is 4.6%, while the ten largest account for 24.5% of the leasing portfolio. The Company’s operations are concentrated on the Volga Federal District (86%). Leasing-Trade is also present in the Ural and Southern Federal Districts. The quality of corporate governance and risk management is assessed as adequate, which is confirmed by the historically low level of problem debt and business profitability.

**The adequate capital adequacy assessment** is based on the high capital adequacy ratio (CAR) and satisfactory averaged capital generation ratio (ACGR). As of March 31, 2020, the Company’s CAR was 18%, and the ACGR calculated for the last five years was 93 bps.

**Adequate risk profile.** ACRA assesses the quality of the Company’s leasing portfolio as high. Overdue debt has remained at a low level over the last several years. As of March 31, 2020, payments overdue for 90+ days amounted to less than 0.05% of the leasing portfolio. The analysis of the leasing portfolio shows that according to ACRA, potential problem debt amounts to around 5.5% as of March 31, 2020 (this assessment was conducted taking into account the impact of the current economic situation on the financial standing of counterparties). However, ACRA views the Company’s investments in the Bank of Kazan, which are comparable to the size of Leasing-Trade’s capital, as an additional risk factor that lowers the overall risk profile assessment.

**Satisfactory funding and liquidity assessment.** The diversification of the Company’s funding structure is assessed as below average. As of March 31, 2020, bank loans account for 68% of liabilities, while the five largest lenders have a 46% share. Bonds issued by the Company account for 12% of the balance sheet and ACRA expects their share in the portfolio to increase in the future.

The satisfactory liquidity position stems from a moderately high projected current liquidity ratio within the 12 to 24-month horizon of around 1.06 in ACRA’s base case scenario (in view of the Company’s plans to develop new business and its existing contracts). The Company’s need for emergency liquidity in the stress scenario is low.

**Key assumptions**

- Maintaining the current business model within the 12 to 18-month horizon;
- Maintaining the share of potentially problematic lessees in the leasing portfolio at lower than 7.5%;
- CAR of at least 15% within the 12 to 18-month horizon.

**Potential outlook or rating change factors**

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

**A positive rating action may be prompted by:**

- Stronger positions in the leasing market;
- Significant decline in non-core assets on the balance sheet;
- Lower volume of claims to potentially problematic lessees;
- Stable growth of capacity to generate capital;
- Improved funding and liquidity position.

**A negative rating action may be prompted by:**

- Substantial decline of CAR;
- Deterioration of liquidity position;
- Considerable worsening of leasing portfolio quality;
- Considerable decline in the creditworthiness of the Bank of Kazan, which is related to the Company.

**Rating components**

**SCA:** bb+.

**Adjustments:** none.

**Support:** none.

**Issue ratings**

No outstanding issues have been rated.

**Regulatory disclosure**

The credit rating has been assigned under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Leasing Companies under 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](#).

A credit rating has been assigned to LLC "Leasing-Trade" for the first time. 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 the data provided by LLC "Leasing-Trade", information from publicly available sources, as well as ACRA's own databases. The rating analysis was performed using the RAS statements of LLC "Leasing-Trade". The credit rating is solicited, and LLC "Leasing-Trade" participated in its assignment.

No material discrepancies between the provided data and the data officially disclosed by LLC "Leasing-Trade" in its financial statements have been discovered.

ACRA provided no additional services to LLC "Leasing-Trade". No conflicts of interest were discovered in the course of credit rating assignment.

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Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)

75, Sadovnicheskaya embankment, Moscow, Russia

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