

## ACRA AFFIRMS BBB+(RU) TO PJSC “INGRAD”, CHANGES OUTLOOK TO POSITIVE

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The credit rating of PJSC “INGRAD” (hereinafter, INGRAD, or the Company) is based on the strong operational risk profile, as well as high assessments of profitability, liquidity, and cash flow. The rating is constrained by the very high industry risk of the residential development sector, medium size of business, medium leverage, and low coverage. At the same time, ACRA notes the high likelihood of support being provided by the main operating asset of the Company’s key shareholder (LLC ROSSIUM Concern), CREDIT BANK OF MOSCOW (ACRA rating A+(RU), outlook Stable, hereinafter the Supporting Entity, or the SE).

The credit rating outlook has been changed to Positive based on ACRA’s expectations regarding an improvement in leverage and coverage indicators thanks to the Company’s plans to replace corporate debt by project financing in H2 2023.

INGRAD is one of the largest players in the residential real estate market of Moscow, the Moscow Region, and Russia as a whole. From January to July 2023, INGRAD was second in the rating of developers in terms of housing commissioning in Moscow. According to statistics from the Unified Developer Resource (the YERZ.RF website), the Company commissioned more than 261,000 square meters of residential real estate in the Moscow area over seven months of 2023. The main shareholders of the Company are LLC ROSSIUM Concern and REGION Group.

### KEY ASSESSMENT FACTORS

**Industry risk is assessed as very high** due to the pronounced cyclical nature of the construction industry, high amount of overdue payments, and substantial number of companies that have defaulted over the last five years. Therefore, industry risk is a strong factor that limits the Company’s credit rating.

**High likelihood of extraordinary support from the Supporting Entity** due to previous cases of the key shareholder supporting the Company. The rapid expansion of the Company’s business in 2017–2019 required significant additional funding. ACRA highly assesses the likelihood of support being provided to the Company in the future if necessary. The degree of support is defined as medium due to the absence of barriers and restrictions for its provision, high assessments of sub-factors such as Propensity/Ability to Provide Support, Ownership, Control, and Regulation and Guarantees or Other Channels for Obtaining Support, as well as medium assessments of the sub-factors Strategic Risk, Brand Risk, and Reputational Risk.

**The Company’s strong operational risk profile** is determined by a generally successful strategy, very high diversification of the project portfolio (the Company’s portfolio includes 29 projects, the share of sales for the largest of them in total sales for 2023–2025 is estimated by ACRA at no more than 10%), medium assessments of periods and conditions for the implementation of

objects, as well as the dependence on materials and subcontracting. The high geographic diversification of the project portfolio due to the Company's work in the Moscow area has a positive impact on the operational risk profile.

**Performance in the first half of the year and expectations for 2023.** The Company's total sales of real estate decreased by 15% in the first half of this year compared to 2022 in monetary terms. At the same time, the Company's average sales prices recorded slight growth — by 1% compared to H1 2022. In ACRA's opinion, state-supported mortgages and joint subsidized programs allow relatively stable demand for housing in the face of ongoing geopolitical and macroeconomic uncertainty to be forecast. Since March 2023, INGRAD has recorded a growing volume of sales. The Agency expects that this year, the Company's sales in monetary terms may be close to those of 2022.

**Medium assessment of leverage and low coverage.** In its calculations of the ratio of net debt to FFO before interest and taxes, ACRA adjusted the total debt by the amount raised as part of escrow-backed project finance and fully secured by buyers' funds held in escrow accounts. The Agency expects that the replacement of the Company's general corporate debt by project financing will result in the ratio of adjusted net debt to FFO before net interest payments (including equity debt) falling to 3.0x in 2023 and then later to 2.0x. At the same time, the weighted average indicator for 2021–2025 is estimated at 3.7x. The main portion of the Company's corporate debt is represented by floating-rate bonds, for which the servicing costs increased significantly following the increase in the Bank of Russia's key rate in July to August 2023. The ratio of FFO before net interest payments to net interest payments for 2023 is estimated by the Agency at 2.0x and is later expected to grow to 2.5–3.5x, which when coupled with the expected decline in leverage, resulted in the outlook being changed to Positive.

**High assessment of liquidity and strong cash flow.** The strong assessment of the Company's liquidity is driven by the presence of undrawn debt and a fairly comfortable general corporate debt repayment schedule. The Agency expects weighted average free cash flow (FCF) profitability for 2021–2025 to be positive in view of increasing the disclosure of escrow accounts in 2023–2025.

## KEY ASSUMPTIONS

- Maintaining planned construction deadlines and sales rates;
- ACRA only took into account only projects under construction and projects expected to be completed in accordance with the Company's current financial plan;
- No significant decline in prices in the primary real estate market of the Moscow area in 2023–2025.

## 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:

- Weighted average ratio of FFO before net interest payments to net interest payments growing above 2.5x;
- Stronger market positions of the Company and weighted average FFO before net interest payments and taxes margin exceeding 20%.

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

- Weighted average ratio of FFO before net interest payments to net interest payments declining below 1x;

- Ratio of adjusted net debt to FFO before net interest continues to be consistently above 3.5x;
- Prices in the primary real estate market of the Moscow area declining by more than 15% in 2023–2024;
- Loss of control over the Company by LLC ROSSIUM Concern;
- Significant downgrade of the SE’s credit rating;
- Regulatory changes capable of having a material adverse effect on the Company’s performance.

## RATING COMPONENTS

Standalone creditworthiness assessment (SCA): **bbb-**.

Support: Group — SCA plus two notches.

## ISSUE RATINGS

No outstanding issues have been rated.

## REGULATORY DISCLOSURE

The credit rating has been assigned to PJSC “INGRAD” under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Non-Financial Corporations under the National Scale for the Russian Federation](#), [Methodology for Analyzing Rated Entities Associated with a State or a Group](#), and the [Key Concepts Used by the Analytical Credit Rating Agency within the Scope of Its Rating Activities](#).

The credit rating of PJSC “INGRAD” was published by ACRA for the first time on September 6, 2021. 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 PJSC “INGRAD”, information from publicly available sources, and ACRA’s own databases. The credit rating is solicited and PJSC “INGRAD” 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 no additional services to PJSC “INGRAD”. No conflicts of interest were discovered in the course of credit rating assignment.

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