

RESEARCH

Russian Construction Company CJSC SSMO LenSpecSMU New Credit-Linked Notes Rated 'B'

Publication date: 17-Apr-2007
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MOSCOW (Standard & Poor's) April 17, 2007--Standard & Poor's Ratings Services said today it assigned its 'B' long-term senior unsecured debt rating to the credit-linked notes (CLN) issue, of up to \$150 million, by Golden Ring Finance S.A., a Luxembourg-registered special purpose entity, on behalf of St. Petersburg-based integrated Russian construction and development company CJSC SSMO LenSpecSMU (LSS; B/Stable/B). LSS will guarantee the notes.

"The rating on the CLN issue mirrors the long-term corporate credit rating on LSS," said Standard & Poor's credit analyst Lorenzo Sliusarev. "We expect LSS to use the proceeds from the debt issue to primarily fund land purchases, in line with its growth-oriented investment program, and also partly to refinance nearing debt maturities."

The ratings on LSS are constrained by the company's aggressive growth appetite; the evolving and fairly complex regulatory environment; a lack of administrative transparency and predictability in Russia; and the company's limited market diversification and size. A further constraining factor is the cyclical nature of Russia's construction and development industry, which is exposed to fluctuating economic dynamics, and uncertainty regarding Russia's evolving political, legal, and business climate.

These risks are moderated by robust industry growth in Russia, combined with LSS' vertically integrated, competitive business model; sizable market position; established operating track record; and management's effectiveness in controlling costs and maintaining effective administrative relationships. A moderate debt burden and adequate liquidity also benefit the company's credit profile.

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