

Russia: Baltic Leasing celebrates its 21st birthday
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The Russian Leasing market is one of the four large leasing markets in the world with enormous untapped potential and therefore is one which no global player can afford to ignore, reports Alan Leesmith, Director at IAA Associates. It is, however, not a new market and equipment leasing has been happening there for over two decades.

It was in 1990 in St Petersburg that Baltic Leasing (Baltic) was founded, becoming the first leasing company in Russia. Its very first transaction was a lease of four ships of 60,000 tons deadweight to the Baltic Sea Shipping Company.

The first director general of Baltic was Valeriy N. Goloshchapov, he led a team of young enthusiasts who devoted themselves to establishing the "new business" of leasing, believing that it would have a great future in Russia.

Over the early years Baltic management and personnel participated as members of teams at the Ministry of Economics and Ministry of Finance of the Russian Federation. It was the work of these teams that worked on drafting the decrees of the President of Russia on "Development of leasing in investment activity" and "Temporary Statute on Leasing".

They also worked on proposals for the accounting of leasing operations and the draft Federal Law on Leasing. Baltic was rewarded for its significant contributions to this development of the foundations of the regulatory base of leasing in Russia by being granted leasing license No 0001 of the Ministry of Economics of the Russian Federation.

Association founder

Baltic continued to play a very active role in developing the Russian leasing industry. Recognising the role leasing associations overseas had played in helping develop the leasing industry and the important benefits that all could gain from the participants in a new industry supporting each other, in 1994 Baltic initiated and became one of the

first founders of the Russian Association of Leasing Companies (ROSLEASING).

In 1998 Dmitry Viktorovich became director general of Baltic. In 1999 Baltic promoted the formation of the Northwest Leasing Association and Dmitry Korchagov became the first President of the Association.

The Northwest Leasing Association subsequently became the United Leasing Association of Russia.

So far we have recognised the significant role that Baltic and its management played in contributing towards the development of the Russian Leasing, but what about the development of Baltic's business?

In 2001 it started its program of regional expansion, moving beyond the Northwest Federal District into the Southern Federal District. It grew steadily and in 2003 it signed a direct loan agreement for \$2m with the International Finance Corporation.

Foreign funding

Although not large, this loan was significant to the extent that it was the first time that direct long-term foreign funding had been made to a Russian lessor. Expansion continued throughout Russia and by 2007 Baltic had offices in all of Russia's Federal Districts.

Today it has 33 offices spread across Russia from St Petersburg on the Baltic to Vladivostok on the Pacific.

Baltic employs over 373 staff, of which around 113 are at its St Petersburg head office. In terms of volume of business, Baltic is the second largest independent lessor in Russia and has consistently figured among the 10 largest lessors in Russia. A ranking which continues after the first half of 2011.

Baltic can be described as a general leasing company and the current range of equipment that its leases has far extended beyond those original four ships. Although the average lease value is around \$150,000 that ranges from small office equipment leases in the region of \$20,000, equipment for printing, food production and processing, wood processing, hi-tech manufacturing facilities and engineering plant, trucks, buses, construction - up to locomotive leases of \$15m.

Small businesses

It ranks many top Russian corporations among their clients. Although 52% by value of its leases are with large corporations, some 80% by number are in the small business sector and it has historically been ranked as one of the Russian lessors having the highest number of leases with small businesses.

Thus, providing leasing services to small and medium sized businesses is the key area of company developments. Baltic says that understanding the importance of offering its clients the best possible financial terms has been helped by it becoming an accredited leasing company in many Russian regions, thereby allowing it to participate in state programs for subsidizing interest rates related to lease payments. Participating in such programs enables the clients to be reimbursed for the costs they have already incurred, making their businesses even more efficient and profitable.

Since its foundation, Baltic has financed over 45,000 leasing projects throughout Russia, delivering over RUB64bn worth of equipment to customers. The Baltic Leasing Group is highly regarded throughout the Russian Leasing industry and is highly praised for its business reputation and being a reliable partner for clients, vendors and banks. It places great emphasis on being close to the customer and that was its main goal that led to the development of its extensive branch network across the Russian Federation. The importance to that network of delivering a service which combines quality and speed is achieved by the use of the same technologies throughout the Group.

Long-standing principles

Looking back over the last few years Dmitry Korchagov said: "Our priorities remain the same. The recent financial crisis that rocked Russia and the world impacted most industrialised enterprises and financial institutions. Baltic Leasing withstood all of these problems and maintained its course by preserving its long standing principles and work priorities."

"Moreover, we have done our best to help our clients and partners maintain their own courses and programs of development. At the same time, we contributed to the development of our country and that of each and every company operating within it by providing the best financial services possible."

Baltic has come through that difficult time and in 2010 the company's leasing portfolio and new business volume returned to the pre-crisis level. The first half of 2011 indicates further growth for the full year will be in the region 40% - 50%.

As to the future Korchagov says: "We are planning to stay a universal leasing company, offering our services to customers from a variety of industries, while continuing to develop our specialisation in some niche sectors. We believe such business development contributes to more stable portfolios. From the perspective of financial results and development of the business, Baltic will depend, like all others, on the world and Russian economic situation. It is our aim to achieve sustained growth in keeping with other major economic sectors."

He added: "We are planning to continue the development of our regional network, although we will not open new offices quite so actively as we did before, because today we already have representative offices in the main Russian cities. To attract less expensive money for a longer term Baltic Leasing plans to investment in securities and develop the business cooperation with foreign investors. The company's history is a history of relations with the biggest Russian and foreign financial institutions, so we are well placed to do this. In the future the company is interested in the financing of imported equipment with the assistance of Western funding."

After what has been achieved in their first two decades, it will be with great interest that the future development and growth of Baltic will be watched.

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