

VEDOMOSTI

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To Russia to Collect Debts (transcript)

The German foundation received a share in Pristav

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Leaders of the emerging Russian collection business attract foreign investors. The Greater Europe Deep Value Fund has become a co-owner of Pristav collection agency.

Pristav collection agency was established in 2005. The agency's sole shareholder is Cyprus company JA Prospected Capital Ltd. Pristav, which cooperates with 40 banks, and does not disclose its financial performance indices. Greater Europe Deep Value (GEDV) and Greater Europe foundations are under control of Wermuth Asset Management (Germany) specializing in Russian and NIS markets. Total capital of both foundations reaches USD 1 billion. Over the first five months of 2007, the GEDV yield amounted to 13.64%.

According to Pristav General Director Arthur Alexandrovich, GEDV fund purchased additional emission of AJ Prospect Capital. The share of the new investor exceeds 25%, noted Mr. Alexandrovich refusing to disclose any details of the above deal. The foundation plans to earn on the agency's growth and intends to make further investments into its development, confirmed Director of the Direct Investments Department Irina Teplitskaya. According to some employer of a collection agency, a buyer paid more than USD 10 million for Pristav's blocking stake.

AJ Prospect Capital's President Mr. David Jones explained that the agency needs cash to buy clients' bed debts due to banks. The collection agency will develop its regional network to be financed from the same funds. According to Mr. Alexandrovich, the company will increase the number of branches from present 8 to 15.

According to Alexandrovich, for the first six months, Pristav debt portfolio increased from RUR 1.7 billion to RUR 3.5 billion. Irina Teplitskaya and another GEDV representative will become members of the parent company's Board of Directors, and the number of members of the Board will increase from five to seven. Alexandrovich believes that participation of a foreign investor will facilitate the company's access to western financial resources.

"Collection agencies is a good investee", - states Igor Kostikov, Chairman of the Board of Directors of Eurasian Private Equity Group. - In the next five years, this business will rapidly grow, as following the fast growth of consumer lending the problem of bed debts will become more acute".

Last October, Goldman Sachs investment bank acquired a share in Sequoia collection business. According to Sequoia General Director Elena Dokuchaeva, the presence of the foreign investor which has good prior experience of operating on other markets brought in additional financing and allowed reevaluating Russian banks' debt portfolios.

It was the foundation's first investment into the collection business, however, not the very first GEDV deal in Russia. In March, Greater Europe Fund and GEDV Fund acquired 30% in the Dikaya Orkhideya stock for USD 50 million. Even earlier, they became co-owners of Kalina concern, Razgulyai grain company and Rospechat.

HARD WORK

According to Alexander Popov, in Rosbank the service with the staff of about 700 agents handles the collection of bed debts. The cost of this work amounts to about 20% of loan value with overdue period of 90 days or more; however, Rosbank almost does not develop its express lending sector.