

Bulletin:

Georgia Capital JSC Rating Unchanged Following Proposed Change To IFRS Reporting

September 27, 2019

MOSCOW (S&P Global Ratings) Sept. 27, 2019--S&P Global Ratings today said that investment holding company Georgia Capital JSC's proposed change of accounting policy will not affect the ratings or outlook on the company.

Georgia Capital intends to adopt the exception from the consolidation guidelines contained in IFRS 10 "Consolidated Financial Statements" for a parent entity that meets the definition of an "investment entity." In our analysis of the company, for which we apply our investment holding company criteria, we will continue to focus on the loan-to-value ratio and cash flow adequacy ratio, for which we are using the parent company debt. We therefore expect no material impact on these ratios, which stood at 25% and 1.8x, respectively at 2018 year-end.

We view it positively that the fair value of Georgia Capital's investee companies will undergo external audit. As for all investment holding companies, however, we may impute a lower value to nonquoted investments than the most recent reference point the company provided; for example, when market movements or deteriorating trading conditions suggest a sudden, pronounced, and sustained decline in equity values.

This report does not constitute a rating action.

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