

November 11, 2016

Credit Headlines (Page 2 onwards): Hotel Properties Ltd., Aspiat Corp. Ltd., Ezra Holdings Ltd., Perisai Petroleum Teknologi Berhad, Rickmers Maritime Trust, Gallant Venture Ltd.

Market Commentary: The SGD swap curve bear-steepened yesterday with swap rates trading 2-16bps higher across all tenors. Flows in the SGD corporates continue to stay muted with market adopting a sit-and-wait attitude due to uncertainties surrounding the presidential results. In the broader dollar space, the spread on JACI IG corporates decreased 7bps to 202bps while the yield on JACI HY corporates increased 3bps to 6.67%. 10y UST yield increased 9bps to 2.15% as the market continues to price in Trump's presidential victory.

New Issues: Gansu Provincial Highway Aviation Tourism Investment Group Co. has priced a USD500mn 3-year bond at CT3+195bps, tightening from its initial guidance at CT3+215bps. The expected issue ratings are "BBB-/NR/BBB-". Yancheng Oriental has scheduled investor road shows from 11 November onwards for a USD bond issue with expected issue ratings of "NR/NR/BB+".

Rating Changes: S&P affirmed Mitsubishi Motors Corp.'s corporate credit rating at "BB-" and removed the rating from CreditWatch after reviewing the possible rating impact from Mitsubishi Motor's falsification of fuel-economy data on its operations and financial performance. The outlook is negative as S&P believed that a recovery in profits in the next 6-12 months remains uncertain, given the risk that unit sales could fall further both at home and abroad and that the yen could appreciate further. S&P upgraded PT Japfa Comfeed Indonesia Tbk.'s corporate credit rating to "B+" from "B" with a stable outlook. The upgrade reflects Japfa Comfeed's initiatives to lengthen its debt maturity profile and because its operating and financial performances have surpassed S&P's base-case expectations.

Table 1: Key Financial Indicators

	11-Nov	1W chg (bps)	1M chg (bps)		11-Nov	1W chg	1M chg
iTraxx Asiax IG	124	5	7	Brent Crude Spot (\$/bbl)	45.84	-1.10%	-13.74%
iTraxx SovX APAC	39	3	6	Gold Spot (\$/oz)	1,260.79	-3.39%	0.64%
iTraxx Japan	55	-4	--	CRB	183.33	-0.03%	-2.65%
iTraxx Australia	104	-3	1	GSCI	356.24	1.12%	-5.84%
CDX NA IG	75	-6	0	VIX	14.74	-33.24%	9.35%
CDX NA HY	104	1	-1	CT10 (bp)	2.150%	37.39	38.63
iTraxx Eur Main	75	-1	0	USD Swap Spread 10Y (bp)	-13	1	3
iTraxx Eur XO	336	-3	1	USD Swap Spread 30Y (bp)	-57	-2	-1
iTraxx Eur Snr Fin	97	-3	-3	TED Spread (bp)	46	-6	-11
iTraxx Sovx WE	19	0	-1	US Libor-OIS Spread (bp)	36	-2	-6
iTraxx Sovx CEEMEA	95	1	1	Euro Libor-OIS Spread (bp)	4	0	-1
					11-Nov	1W chg	1M chg
				AUD/USD	0.761	-0.80%	0.97%
				USD/CHF	0.987	-1.90%	0.16%
				EUR/USD	1.089	-2.25%	-1.48%
				USD/SGD	1.411	-1.98%	-2.25%
Korea 5Y CDS	49	3	9	DJIA	18,808	4.89%	2.61%
China 5Y CDS	117	6	10	SPX	2,167	3.77%	0.18%
Malaysia 5Y CDS	136	8	16	MSCI Asiax	535	0.22%	-4.19%
Philippines 5Y CDS	119	3	0	HSI	22,839	0.69%	-3.02%
Indonesia 5Y CDS	170	10	19	STI	2,834	1.14%	-0.77%
Thailand 5Y CDS	98	3	8	KLCI	1,653	0.28%	-0.96%
				JCI	5,450	2.27%	1.27%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
10-Nov-16	Gansu Provincial Highway	"BBB-/NR/BBB-"	USD500mn	3-year	CT3+195bps
7-Nov-16	EXIM Korea (Re-tap of SGD60mn)	"NR/Aa2/AA-"	SGD310mn	3-year	2.04%
7-Nov-16	Mapletree Commercial Trust	"NR/Baa1/NR"	SGD85mn	7-year	2.795%
4-Nov-16	China Nuclear Engineering	"NR/NR/NR"	CNH1.5bn	3-year	4.3%
3-Nov-16	Intl. Bank for Reconstruction & Dev.	"NR/Aaa/NR"	SGD500mn	3-year	1.12%
3-Nov-16	Bank of China Ltd.	"NR/Aa3/NR"	USD500mn	3-year	CT3+95bps
3-Nov-16	Huishang Bank Corp.	"NR/NR/NR"	USD888mn	Perp-NC5	5.5%
1-Nov-16	Wuhan Metro Group Co. Ltd.	"NR/NR/A"	USD290mn	3-year	CT3+180bps
1-Nov-16	Central China Real Estate	"B+/Ba3/NR"	USD200mn	5NC3	6.75%

Source: OCBC, Bloomberg

Credit Headlines:

Hotel Properties Ltd. (“HPL”): 3QFY2016 results were released. Revenue rose 5% to SGD140mn due to the sale of completed condominium units from the Tomlinson Heights, offset by weaker performance from Maldives. Net profit surged by 66% to SGD35.5mn, largely due to gains from disposal of Mandarin Oriental Hotel Prague by an associate. Going forward, HPL expects the hospitality industry to remain challenging with softer demand from both leisure and business travellers. On the bright side, we note that sales at d’Leedon and The Interlace were well-received, with 88 units and 73 units sold respectively due to deferred payment schemes introduced as well as outright discounts. Finance costs has also come down 19% y/y to SGD7.4mn, mainly due to lower interest rates. With a largely unchanged net gearing ratio at 0.47x, we maintain HPL’s Issuer Profile at Neutral. (Company, OCBC)

Aspial Corp Ltd. (“ASP”): 3QFY2016 results were released. Revenue rose 27% y/y to SGD170.9mn, mainly due to recognition of sales from CityGate, The Hillford and Waterfront@Faber. Revenues are also higher from the financial services division due to higher interest income and sales from retailing and trading of pre-owned jewellery and watches. Net profit is lifted further by 530% to SGD14.4mn, mainly due to higher other income due to fair value gains on investment property and foreign exchange gains while other operating expenses were lower due to lower foreign exchange loss and rental costs. There are a number of positives in this results. We have mentioned previously that the substantially sold Australia 108 and Avant (Melbourne) is credit positive, as AUD1.1bn of sales will be recognised over 2018 to 2020. ASP also expects to recognise SGD390mn of sales from its Singapore projects. We like that the bulk of the proceeds (SGD173mn) from the disposal of investment securities during the last quarter has been used to redeem SGD100mn of bonds which matured in Jul 2016 and SGD41mn of term loans. ASP will also expect cash inflow due to the TOP of Kensington Square project in 3QFY2016. However, we note the high working capital needs due to the ongoing projects, which consumed SGD50mn of cash this quarter. While net gearing remains elevated at 3.33x and cash of SGD72.3mn is below the ST debt of SGD503.9mn, we maintain ASP’s Issuer Profile at Negative. (Company, OCBC)

Ezra Holdings Ltd. (“EZRA”): EZRA announced that its consent solicitation for its EZRASP’18 bonds has passed during the bondholder meeting held on 09/11/16. As a recap, the consent solicitation sought to 1) waive its financial covenants for any existing breaches as well as future potential breaches till the maturity of the EZRASP’18s on the 24/04/18. EZRA also sought to 2) waive any event of defaults arising from attempts at restructuring material part of indebtedness held at either EZRA or at its principal subsidiaries (which include Triyards and EMAS Offshore). EZRA will be reporting its full-year fiscal year (ending August 2016) results by the end of November, after receiving SGX’s approval for an extension. With the additional flexibility provided by bondholders, we will now await for 1) the FY2016 results, 2) progress in the negotiation of some of EZRA’s borrowings, 3) some resolution to the Perisai situation. (Company, OCBC)

Perisai Petroleum Teknologi Berhad (“PPT”): PPT announced that its 51% owned subsidiary, SJR Marine(L) Ltd (“SJR Marine”), has been served Writ of Summons by EMAS Offshore Construction and Production Pte Ltd (“EOCP”) and by Emas Offshore (M) Sdn Bhd (“EOM”). The claims are for ~USD278,000 in total. PPT is seeking legal advice and intends to challenge and defend against the claims. EOCP and EOM are both wholly owned subsidiaries of EMAS Offshore Limited (“EMAS”), with EMAS holding the balance 49% equity stake in SJR Marine. EMAS is a partially owned subsidiary of Ezra Holdings Limited (“EZRA”). It should be noted that one of SJR Marine’s bank lenders has given notice to PPT / SJR Marine on 27/10/16 that an event of default has occurred under a financing facility granted to SJR Marine, and that the USD20.5mn facility is immediately payable by SJR Marine within 14 days from the date of the notice. The event of default could have been cross default clauses relating to PPT’s default on its bonds. OCBC credit research does not currently cover PPT. (Company)

Credit Headlines:

Rickmers Maritime Trust (“RMT”): RMT’s consent solicitation to restructure its bonds was unable to proceed as the quorum required (representing 75% of bonds outstanding) was not met. The next bondholders meeting to re-attempt the consent solicitation is expected to be held on 23/11/16 at earliest (the quorum required for the follow up attempt is lower at just 25% of bonds outstanding). There will be a coupon due to the bonds on 15/11/16. OCBC credit research does not currently cover RMT. (Company)

Gallant Venture Ltd. (“GALV”): GALV announced its 3Q2016 and 9M2016 results. During 3Q2016, revenue decreased by 13% to SGD389.8mn driven by the weaker performance at its ~72% owned subsidiary PT Indomobil Sukses International Tbk (“IMAS”). Gross profit was relatively stable at SGD71.7mn as higher-margin segments is now an increasing contributor to the IMAS business. Driven by higher expenses, lower sales incentives from car manufacturers and lower interest income, GALV reported a wider loss before tax of SGD32.0mn (3Q2016: loss before tax of SGD27.5mn). During 9M2016, GALV’s CFO (before interest) was razor thin at SGD19.2mn against SGD137.9mn of cash interest paid. The funding gap was plugged via the disposal of its investment in the Lao Xi Men project in Shanghai and drawdown of further debt. As at 30 September 2016, GALV reported gross debt of ~SGD2.48bn, and we estimate 40-45% of these relates to the vehicle financing business in Indonesia (of which by business nature has a higher leveraged funding structure). The holdco in Singapore faces SGD303.3mn in short term debt (including SGD225mn in upcoming bond maturities due in 2017). We think on a standalone basis, the company’s liquidity is hampered, though (i) it has assets that can be monetize (eg: land inventories at operating level of SGD641mn) and (ii) possible support from entities outside the GALV/IMAS construct. As part of its bond terms, GALV needs to meet two covenants relating to Net Tangible Assets (“NTA”). Such covenants exclude IMAS’ vehicle financing arm which is likely profitable. Based unaudited balance sheet as at 30 September 2016, our calculation of unadjusted NTA was SGD1.16bn, declining due to successive losses recognized (31 December 2015: SGD1.25bn). In October 2016, the Accounting and Corporate Regulatory Authority (“ACRA”) issued an advisory letter to the company requiring restatement of FY2014 and FY2015 financial statements. The company is working with its auditors on the implementation of ACRA’s finding and these would have a knock-on impact to financial statements in 2016. We continue to maintain GALV’s issuer profile at Negative and Underweight on all 3 bonds. (Company, OCBC)

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