Asian Credit Daily

OCBC Bank

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Credit Headlines (Page 2 onwards): CITIC Envirotech Ltd., First Sponsor Group Ltd., ASL Marine, Perennial Real Estate Holdings, CMA CGM / Neptune Orient Lines

Market Commentary: The SGD swap curve bull-flattened yesterday as the USD retreated on the waning Donald Trump effect. Swap rates traded 2-8bps lower across all tenors. Flows in the SGD corporates were light with two-way flow seen in, SINTEC 4.05%'25s and OLAMSP 5.8%'19s. In the broader dollar space, the spread on JACI IG corporates increased 2bps to 200bps while the yield on JACI HY corporates decreased 1bps to 6.91%. 10y UST yield decreased 4bps to 2.31%.

New Issues: Loncin Holdings Co. has priced a CNH800mn 3-year bond at 4.5% with expected issue ratings of "NR/A1/NR". Zhenjiang Transportation Industry Group Co. has scheduled investor road shows from 28 – 29 November for a potential USD bond issue with expected issue ratings of "BB/NR/NR". Ronshine China Holdings Ltd. proposed to issue USD senior notes yesterday.

Rating Changes: Moody's placed Imperial Pacific's "B2" corporate family rating on review for downgrade. The rating action reflects uncertainty over the casino operator's funding to complete its Grand Marina project. Moody's revised its rating outlook on Australian metals and mining company South32 Ltd.'s "Baa1" issuer rating to stable from negative. The revision reflects Moody's expectation that South32's margins and cash flow generation will improve substantially over the next 12-18months. Additionally, the company's low funded debt levels will allow South32 to maintain strong credit metrics for its rating. Moody's assigned a first time corporate family rating of "B2" to Ronshine China Holdings Ltd. with a stable outlook. The rating assignment reflects the company's track record of developing residential properties in Fujian Province and strong contracted sales growth. At the same time, Fitch assigned a "B+" rating with a stable outlook and S&P assigned a "B" rating with a stable outlook.

Table 1: Key Financial Indicators

	29-Nov	1W chg (bps)	1M chg (bps)		29-Nov	1W chg	1M chg
iTraxx Asiax IG	128	2	10	Brent Crude Spot ($/bbl)	48.24	-1.35%	-2.96%
iTraxx SovX APAC	44	1	9	Gold Spot ($/oz)	1,194.39	-1.48%	-6.48%
iTraxx Japan	55	-1	-1	CRB	187.76	2.53%	-0.76%
iTraxx Australia	111	1	6	GSCI	370.40	2.97%	0.10%
CDX NA IG	74	0	-5	VIX	13.15	2.33%	-18.78%
CDX NA HY	105	0	1	CT10 (bp)	2.311%	-0.13	46.38
iTraxx Eur Main	82	2	9	USD Swap Spread 10Y (bp)	-17	2	-2
iTraxx Eur XO	342	2	13	USD Swap Spread 30Y (bp)	-56	2	-1
iTraxx Eur Snr Fin	111	4	14	TED Spread (bp)	45	-4	-11
iTraxx Sovx WE	23	1	4	US Libor-OIS Spread (bp)	34	0	-5
iTraxx Sovx CEEMEA	99	0	10	Euro Libor-OIS Spread (bp)	4	0	0
					29-Nov	1W chg	1M chg
				AUD/USD	0.749	1.19%	-1.56%
				USD/CHF	1.013	-0.17%	-2.37%
				EUR/USD	1.061	-0.12%	-3.34%
				USD/SGD	1.423	0.02%	-2.27%
Korea 5Y CDS	50	1	8	DJIA	19,098	1.22%	5.16%
China 5Y CDS	119	0	9	SPX	2,202	0.91%	3.54%
Malaysia 5Y CDS	170	5	46	MSCI Asiax	525	0.91%	-3.34%
Philippines 5Y CDS	124	0	8	HSI	22,831	2.11%	-0.54%
Indonesia 5Y CDS	176	2	21	STI	2,875	2.06%	2.07%
Thailand 5Y CDS	92	-1	-3	KLCI	1,629	0.08%	-2.49%
				JCI	5,115	-0.66%	-5.47%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
28-Nov-16	Loncin Holdings Co.	"NR/A1/NR"	CNH800mn	3-year	4.5%
25-Nov-16	Zhenjiang Cultural Tourism Industry	"NR/NR/NR"	USD230mn	3-year	5.3%
23-Nov-16	Changsha Pilot Investment Holdings	"BBB-/NR/BBB-"	USD350mn	3-year	CT3+220bps
23-Nov-16	Chalieco Hong Kong Corp.	"BB/NR/NR"	USD350mn	Perp-NC3	5.7%
23-Nov-16	Horsepower Finance Ltd.	"NR/A1/NR"	USD550mn	3-year	CT3+107.5bps
22-Nov-16	Studio City Co. Ltd.	"BB-/B1/NR"	USD350mn	3-year	5.875%
22-Nov-16	Studio City Co. Ltd.	"BB-/B1/NR"	USD850mn	5NC2	7.25%
22-Nov-16	Chengdu Xingcheng Investment Group	"NR/NR/BBB+"	USD300mn	5-year	CT5+190bps
22-Nov-16	Ping An Real Estate	"NR/NR/NR"	USD300mn	3-year	CT3+235bps

Source: OCBC, Bloomberg

Rating Changes (cont'd):

Fitch downgraded Lifestyle International Holdings Ltd.'s foreign currency issuer default rating to "BB+" from "BBB-" with a negative outlook. Fitch also downgraded the company's foreign-currency senior unsecured ratings and the ratings on all its outstanding bonds to "BB+" from "BBB-". The downgrade reflects Fitch's expectation that Lifestyle's leverage will more than double after it completes the acquisition of a commercial site in Kai Tak, Kowloon from the Hong Kong government.

Credit Headlines:

Citic Envirotech Ltd. ("CEL"): CEL is proposing to split each of its ordinary shares into two shares. The company believes that the reduced price of each share post the share split will encourage greater participation in CEL's share price and enhance trading liquidity of the shares over time. The proposed share split is subject to approvals from shareholders and the SGX. We see the move as credit neutral as the outstanding amount of equity will stay the same. (Company, OCBC)

First Sponsor Group Ltd. ("FSG"): FSG's associate in the Netherlands has announced that it will sell 258 (out of 344 apartments to be constructed) in its Boompjes redevelopment project to CBRE Global Investors, an investment management firm focused on real esate. The remaining 86 apartments will be sold to individual purchasers. Boompjes is currently an office building located in Rotterdam. The construction project with an expected sales value of EUR100mn (~SGD151mn) in total will commence in 1Q2017. We see this as a credit positive given that FSG's associate has effectively "pre-sold" 75% of the project prior to construction. (Company, OCBC)

ASL Marine ("ASL"): 1QFY2017 results showed revenue increasing 27.3% y/y to SGD96.7mn. The shipbuilding segment had a fair quarter, growing 26.7% y/y to SGD46.0mn. The bulk of revenue generated from shipbuilding (~90%) was due to tugs, with demand for OSVs remaining weak. Shiprepair and conversion segment revenue was flattish y/y at SGD14.3mn (some lumpiness in revenue due to recognition only upon completion). Shipchartering segment saw revenue jump 40.7% y/y to SGD27.8mn (and comparable to the previous quarter), driven by stronger demand for tugs (+24.6% y/y) and barges (+37.7% y/y) with ASL benefitting from the commencement of large marine infrastructure projects in Singapore and South Asia during 4QFY2016. Though there was gross margin compression y/y from 15.6% (1QFY2016) to 13.5% (1QFY2017), ASL saw improvements q/q (4QFY2016: 11.2%). The q/q improvements were seen at shipbuilding with gross margins expanding 590bps to 11.3%, and shipchartering seeing gross margins expanding 450bps to 7.6%. Though share of results from JV / associates remained a drag (negative SGD1.0mn), absent the SGD4.0mn in provisions for doubtful debts and SGD3.9mn in impairment losses on its PPE seen in 4QFY2016, ASL was able to generate a pre-tax profit of SGD1.7mn (versus a pre-tax loss of SGD9.5mn seen in 4QFY2016). In aggregate, net order book stands at SGD177mn (4QFY2016: SGD223mn) for shipbuilding (for 17 vessels to be delivered through end-FY2018, with 59% to be recognized in FY2017) and SGD145mn for shipchartering. ASL was able to generate SGD40.0mn in operating cash flow (including interest service) for the quarter, with ASL managing its working capital (trade payables increasing, vessel WIP delivered). After factoring capex, ASL was able to generate SGD24.3mn in free cash flow for the quarter (after generating SGD29.2mn in 4QFY2016). ASL's founding shareholders also paid SGD16.9mn in deposits pursuant to the ongoing rights issue. Like the previous quarter, ASL used the cash generated to deleverage, paying down SGD30.4mn in net borrowings. As such, net gearing fell from 134% to 125% q/q (it peaked at 140% during 3QFY2016). Liquidity remains a concern with short-term borrowings at SGD347.6mn (of which SGD100mn is due to a bond maturing on 28/03/17) compared to SGD36.9mn in cash. As mentioned previously, ASL announced that it had signed a commitment letter with various lenders for a 5-year club term loan facility amounting to SGD99.9mn, but a condition to the facility would be to extend the tenure of ASL's SGD150mn worth of bonds outstanding. Though a consent solicitation agent has been appointed, no details have been disclosed. Though there has been some operating and balance sheet improvements seen in 1QFY2017, we will retain our Negative Issuer Profile on ASL given the liquidity situation. We continue to withdraw our bond level recommendation on the ASLSP'17s and ASLSP'18s until more details regarding the restructuring are released. (Company, OCBC)

Credit Headlines:

Perennial Real Estate Holdings ("PREHL"): PREHL had announced two separate transactions. The first, PREHL will be increasing its stake in Perennial Chinatown Point LLP ("PCP") from the current 5.15% stake to 45.15%, with PCP becoming an associate company post the transaction. PCP holds Chinatown Point Mall as well as four strata office units. PREHL will be paying SGD61.8mn in cash as consideration (the property is valued at SGD442.5mn, though there are outstanding bank loans) with completion expected on 9/12/16. It was not disclosed how PREHL intends to fund this. The other transaction is PREHL acquiring a call option (paying a token USD4) to acquire 20% of Aroland Holdings Ltd ("Aroland"), which in turn holds 100% of Aviva Tower, London, UK. The call option expires on 31/07/19. The 20% would be based on an agreed property value of GBP330mn. Aviva Tower is a 28-storey office tower within the City of London. London authorities have granted approval to redevelop the building into the tallest building in the City of London. The total development cost (including the land cost) is expected to be over GBP1bn. Under the call option, should Aroland decide to continue with the redevelopment of Aviva Tower, PREHL would have the right, but not the obligation, to exercise the call option. In this case, PREHL will manage the redevelopment of Aviva Tower. The transaction is a related party transaction as Aroland is currently partially owned by Mr Kuok Khoon Hong, one of PREHL's sponsors and Chairman of PREHL's board. PREHL last reported SGD155.5mn in cash and SGD179.3mn in short-term debt. We are currently reviewing PREHL's Issuer Profile of Neutral, and will update accordingly if required. (Company, OCBC)

CMA CGM / Neptune Orient Lines ("NOL"): It was announced that Finacity and ING have successfully launched a container shipping receivables securitization for NOL. This would allow up to USD350mn in funding. This is consistent with CMA CGM's attempts to deleverage as well as generate liquidity via the monetization of both CMA CGM's and its wholly-owned subsidiary, NOL's balance sheet. We previously highlighted CMA CGM completing a USD260mn receivables securitization program at the end of 3Q2016, as well as a USD880mn sale and leaseback transaction involving 11 vessels during 4Q2016. We are currently reviewing CMA CGM / NOL's Issuer Profile of Neutral and will update according if required. (Company, OCBC)

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