

June 19, 2018

Credit Headlines: Sembcorp Industries Ltd, Pacific Radiance Ltd

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 2-4bps lower.
- Flows in SGD corporates were light yesterday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 140bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 2bps to 453bps.
- While 10Y UST yields traded little changed at 2.92%, intra-day movements were volatile. In the earlier part of the trading session, 10Y UST yields fell by 2bps to 2.90% due to concerns over the escalating trade war between China and the United States. However, yields subsequently rose by 2bps to close at 2.92% towards the latter part of the trading session as Wall Street shares trimmed losses, after a hectic week when the Federal Reserve struck an upbeat tone on the US economy.

Credit Headlines:

Sembcorp Industries Ltd (“SCISP”) | Issuer Profile: Neutral (4)

- SCISP announced that via its wholly-owned subsidiary, it has completed an acquisition of a 40-megawatt grid-tied rooftop solar project that is currently under construction in Singapore.
- SCISP’s total investment in the project including the acquisition of the project development company and further investment to complete the construction of the project is ~SGD55mn.
- Given the small scale of the acquisition vis-à-vis SCISP’s cash balance of SGD2.2bn and net tangible assets as at 31 March 2018 of SGD7.6bn, there is no credit impact from this transaction. (OCBC, Company).

Credit Headlines (cont'd):

Pacific Radiance Ltd ("PACRA") | Issuer Profile: Unrated

- PACRA completed an informal bondholders meeting yesterday and its proposed plan was shared publicly. The company is intending to pursue a restructuring of its sole SGD100mn notes with maturity date on 29 August 2018 (the PACRA 4.3% '18s) by way of out-of-court consent solicitation exercise ("CSE").
- Two proposed options have been tabled:
 - First option where there is an upfront cash payment of SGD5mn and SGD5mn in year 4 or earlier if [retained bank loans of USD121mn are fully repaid](#). Under the first option, the remaining SGD90mn of the notes will be fully converted into shares at a deemed conversion price of SGD0.101, with no lock up on the shares.
 - Under the second option, the full SGD100mn of the notes will be replaced with SGD100mn of convertible bonds ("CB"), where coupon of the CBs is at 0.25% p.a, step-up at 0.25% p.a after every 3 years. CB holders will have the option to convert to shares from year 2 at a deemed conversion price of SGD0.112. The issuer shall redeem 30%, 30% and 40% of the CB in year 7, 8 and 9 respectively if share price is greater than SGD0.075 and mandatory conversion of the CB to shares at the end of year 9 if CB is not redeemed. The issuer would also have the option to redeem up to the full amount of the CB outstanding before year 7 if the retained bank loans are fully repaid and if the share price is greater than SGD0.075.
- Under both options, each SGD250,000 of the notes will be given 125,000 warrants upfront with a 3 year exercise period at an exercise price of SGD0.028.
- The operating subsidiaries are estimated to carry USD476mn in bank loans as at end-June 2017 and the proposal takes into account USD211mn of estimated bank loans to be converted into equity and bank lenders to receive an upfront cash payment of USD100mn (from new equity). USD121mn in bank loans which are seen as sustainable will be retained in the business ("bank loans retained").
- The proposal also considers (1) USD120mn in new equity from a group of investors and these investors are contemplated to receive ~74% of the enlarged share capital in PACRA (2) Banks are estimated to receive ~15% in enlarged share capital from the [portion of loans to be converted into equity](#) (3) The founding Pang family to be diluted to 3% (on an enlarged share capital basis) from their current 68%-stake (4) The SGD100mn noteholders at ~6% of the enlarged share capital and (5) other shareholders holding 32% to be diluted to ~1.5% on an enlarged share capital basis. Management retention shares are also contemplated at 12% to be vested over 4 years.
- The CSE meeting is expected to take place on 17 August 2018, with election of option 1 and/or option 2 in September 2018. The company has been granted approval by the Accounting and Corporate Regulatory Authority ("ACRA") for the extension of time to hold the annual general meeting for the financial year ended 31 December 2017 by 16 July 2018. The latest publicly available financials for PACRA is for the nine months ended 2017. (Company)

Table 1: Key Financial Indicators

	19-Jun	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	79	2	4
iTraxx SovX APAC	13	1	1
iTraxx Japan	52	1	4
iTraxx Australia	70	0	4
CDX NA IG	61	-3	-1
CDX NA HY	107	0	0
iTraxx Eur Main	68	-4	8
iTraxx Eur XO	298	-8	18
iTraxx Eur Snr Fin	79	-5	11
iTraxx Sovx WE	23	-3	1
AUD/USD	0.741	-2.22%	-2.33%
EUR/USD	1.163	-0.99%	-1.37%
USD/SGD	1.352	-1.11%	-0.87%
China 5Y CDS	58	2	1
Malaysia 5Y CDS	102	5	17
Indonesia 5Y CDS	133	7	8
Thailand 5Y CDS	45	0	0

	19-Jun	1W chg	1M chg
Brent Crude Spot (\$/bbl)	74.99	-1.17%	-4.48%
Gold Spot (\$/oz)	1,281.07	-1.15%	-0.89%
CRB	196.18	-1.61%	-3.68%
GSCI	467.39	-1.68%	-4.45%
VIX	12.31	-0.32%	-8.27%
CT10 (bp)	2.899%	-6.22	-15.73
USD Swap Spread 10Y (bp)	6	0	3
USD Swap Spread 30Y (bp)	-6	-1	2
TED Spread (bp)	41	-1	-1
US Libor-OIS Spread (bp)	41	0	-3
Euro Libor-OIS Spread (bp)	3	-1	-1
DJIA	24,987	-1.32%	1.10%
SPX	2,774	-0.30%	2.24%
MSCI Asiax	706	-2.71%	-1.26%
HSI	30,309	-2.10%	-2.38%
STI	3,324	-3.27%	-5.82%
KLCI	1,743	-1.96%	-5.99%
JCI	5,994	0.17%	0.62%

New issues

- There were no new issuances over 18 June 2018.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
15-Jun-18	Greenland Global Investment Ltd	USD250mn	3.25-year	3mL+485bps
14-Jun-18	CFLD Cayman Investment Ltd	USD200mn	3-year	9%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	HKD2.6bn	2-year	3.0%
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	5-year	3mL+85bps
13-June-18	Industrial & Commercial Bank of China Asia Ltd	USD200mn	3-year	3mL+75bps
12-June-18	Mapletree Treasury Services Ltd	SGD200mn	3-year	2.888%
12-June-18	New Metro Global Ltd	USD200mn	3.75-year	8%
11-June-18	National Australia Bank Ltd/New York	USD500mn	3.25-year	CT3+80bps
11-June-18	National Australia Bank Ltd/New York	USD750mn	5-year	CT5+90bps
11-June-18	National Australia Bank Ltd/New York	USD350mn	3.25-year	3mL+58bps
11-June-18	Qingdao Jiaozhou Bay Development Co Ltd	USD120mn	3-year	6.9%
11-June-18	China Aoyuan Property Group Ltd (re-tap)	USD225mn	CAPG 7.5%'21	8.25%
7-June-18	Asian Development Bank (re-tap)	GBP100mn	ASIA 1.375%'23	99.985+accrued interest
7-June-18	Export-Import Bank of Korea	CNH1.5bn	3-year	4.65%
7-June-18	ASB Bank Ltd	USD500mn	5-year	3mL+97bps

Source: OCBC, Bloomberg

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