

May 22, 2018

Credit Headlines: Pacific Radiance

Market Commentary

- The SGD swap curve flattened yesterday, with swap rates trading around 1bps lower across most tenors.
- Flows in SGD corporates were light yesterday, with better selling seen in WINGTA 4.35%-PERP.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 1.34% while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 413bps.
- 10Y UST yield traded little changed at 3.06% yesterday.

Credit Headlines

Pacific Radiance (“PACRA”) | Issuer Profile: Negative (7)

- As a follow up to PACRA's recent announcement to pursue a Scheme of Arrangement (refer to [OCBC Asian Credit Daily \(17 May\)](#)), PACRA had provided more details in general.
- PACRA announced that there is a proposed equity injection of USD120mn, via the subscription of new shares post PACRA's restructuring. The new equity is expected to take up 65% of the enlarged shareholdings.
- Existing obligations to bank lenders will be re-profiled based on the valuation and income generating ability of existing security assets assessed by the potential equity investors. As a reference, PACRA reported USD452.9mn in secured debt (as of 3Q2018, the most recent financial results available). The other borrowings outstanding would be the USD73.7mn in unsecured bonds.
- PACRA had indicated that excluding the existing property mortgage loan, the rest of PACRA's bank borrowings will be restructured in the following manner:
 - 1) ~USD100mn will be repaid (likely with proceeds from the equity injection)
 - 2) ~USD100mn will be forgiven
 - 3) ~USD120mn will be repaid from 2021 – 2023
 - 4) ~USD110mn are deemed to be unsecured due to insufficient value of the collateral and will be restructured together with PACRA's other unsecured liabilities (excluding the bonds).
- Bank lenders will also receive new shares in PACRA (likely as compensation for the debt forgiveness / restructuring). Part of the contractual interest margin payable on the restructured bank debt will be deferred.
- For unsecured creditors (excluding bonds), new shares will be issued in consideration for debt owed. The bonds will be restructured via consent solicitation exercises. No further details were disclosed regarding how the bonds will be restructured, but based on how the other unsecured creditors are being restructured, it is likely that PACRA would again be redeeming the bonds with new shares issued. As a reference, in the previous consent solicitation exercise (which was rejected) PACRA offered 3.8 new PACRA shares for every SGD1 notional in bonds (implied price of SGD0.263 per share).
- We will monitor the situation closely and update accordingly. (Company, OCBC)

Table 1: Key Financial Indicators

	22-May	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	76	0	-2
iTraxx SovX APAC	12	0	0
iTraxx Japan	50	-1	0
iTraxx Australia	66	1	0
CDX NA IG	62	0	0
CDX NA HY	107	0	0
iTraxx Eur Main	60	4	4
iTraxx Eur XO	280	9	5
iTraxx Eur Snr Fin	68	10	11
iTraxx Sovx WE	22	4	5
AUD/USD	0.759	1.53%	-0.25%
EUR/USD	1.179	-0.40%	-3.42%
USD/SGD	1.339	0.41%	-1.02%
China 5Y CDS	57	-3	-4
Malaysia 5Y CDS	84	-3	10
Indonesia 5Y CDS	125	5	23
Thailand 5Y CDS	45	-1	0

	22-May	1W chg	1M chg
Brent Crude Spot (\$/bbl)	79.36	1.19%	7.16%
Gold Spot (\$/oz)	1,292.75	0.17%	-2.42%
CRB	205.69	0.91%	1.87%
GSCI	493.06	1.31%	4.07%
VIX	13.08	1.16%	-22.51%
CT10 (bp)	3.056%	-1.64	9.57
USD Swap Spread 10Y (bp)	4	1	1
USD Swap Spread 30Y (bp)	-8	-1	5
TED Spread (bp)	45	0	-11
US Libor-OIS Spread (bp)	43	-1	-13
Euro Libor-OIS Spread (bp)	3	0	1
DJIA	25,013	0.46%	2.25%
SPX	2,733	0.11%	2.35%
MSCI Asiax	716	-0.56%	-0.30%
HSI	31,234	-0.97%	2.68%
STI	3,548	-0.40%	-0.70%
KLCI	1,854	0.17%	-1.81%
JCI	5,734	-3.59%	-9.53%

Source: OCBC, Bloomberg

New issues

- Asiana Airlines Inc has scheduled for investor meetings from 23 May for its potential USD Perp NC3 bond issuance.
- Hyundai Capital America has hired banks for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
18-May-18	DBS Bank Ltd	USD100mn	2-year	3.12%
17-May-18	Top Yield Ventures Ltd	USD120mn	364-day	9.75%
17-May-18	China South City Holdings Ltd	USD150mn	2-year	11%
17-May-18	QNB Finance Ltd	USD1.5bn	3-year	3mL+135bps
17-May-18	Vanke Real Estate Hong Kong Co Ltd	USD650mn	5-year	3mL+155bps
17-May-18	China Great Wall International Holdings III Ltd	USD600mn	5-year	CT5+155bps
16-May-18	First Abu Dhabi Bank PSJC	CNH1.1bn	3-year	4.8%
16-May-18	Greenland Global Investment Ltd	USD500mn	363-day	6.75%
16-May-18	BlueScope Finance (Americas) LLC	USD300mn	5-year	CT5+180bps
15-May-18	Korean National Oil Corp	CHF500mn	5-year	MS+35bps
15-May-18	PT Perusahaan Listrik Negara	USD1bn	30-year	6.2%
15-May-18	PT Perusahaan Listrik Negara	USD1bn	10-year	5.5%
15-May-18	AVIC International Finance & Investment Ltd	USD400mn	3-year	CT3+175bps
14-May-18	NagaCorp Ltd	USD300mn	3NC2	9.625%
14-May-18	KDB Life Insurance	USD200mn	30NC5	7.5%

Source: OCBC, Bloomberg

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

Wong Hong Wei

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2533
WongHongWei@ocbc.com

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