

Sept 26, 2018

Credit Headlines: CITIC Envirotech Ltd, Keppel Telecommunications & Transportation Limited, Keppel Corp Ltd, Chip Eng Seng Corp Ltd, Golden Agri-Resources Ltd, Groupe BPCE

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading 1-2bps higher while the longer tenors traded 2-3bps higher.
- Flows in SGD corporates were heavy yesterday, with better buying seen in HSBC 5.0%-PERPs, DSSP 3.98%-PERPs, OCBCSP 4.0%-PERPs and CMZB 4.2%'28s and better selling seen in CMZB 4.875%'27s.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS was unchanged at 139bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 471bps.
- 10Y UST yields rose 2bps to 3.11%, hitting the four-month peak on the back of increasing expectations of rate hikes and ahead of supply pressure from USD17bn and USD38bn of new supply in 2-year FRN and 5-year notes respectively. Yields subsequently fell 1bps to close at 3.10%.

Credit Headlines:

CITIC Envirotech Ltd ("CEL") | Issuer Profile: Neutral (5)

- CEL is seeking the approval from its shareholders in an extraordinary general meeting ("EGM") on 12 October 2018 on a few proposed interested person transactions ("IPT"). CEL is proposing to enter into loan facilities and a fund placement agreement with CITIC Finance. CITIC Finance is a non-bank financial institution established to provide financial services to the CITIC Group, including CEL which is the main water and environmental arm of the CITIC Group. CITIC Finance is a subsidiary of CITIC Limited. In turn, CITIC Limited is controlled by the conglomerate CITIC Group. CITIC Group is also the controlling shareholder of CEL (holds an indirect stake of 59.4% in CEL). In effect, CITIC Finance and CEL share the same ultimate controlling shareholders.
- The proposed loan facilities comprise of an RMB loan facility and a USD loan facility. The RMB facility has an up to RMB10bn (~SGD1.99bn) principal amount where borrower(s) can elect whether to have the loan disbursed in RMB or USD. Loans granted for the purposes of project financing shall be for a maximum maturity of 8 years while loans granted for general working capital purposes shall be for a maximum 3 year maturity. No penalties shall be incurred on prepayments and prepayments can occur any time prior to maturity. Earlier in May 2018, CITIC Finance had also granted separate loan facilities to several CEL subsidiaries.
- The USD loan facility has an up to USD240mn principal amount with a maturity date of 3 years from disbursement date (bullet repayment at maturity). Prepayment can occur any time after one year after disbursement date at no penalty. The proceeds from the USD loan can be used to fund investments in joint ventures and general working capital purposes.
- Additionally, CEL is seeking approval to place deposits with CITIC Finance and/or related corporates as may be directed by CITIC Finance in three currencies - RMB, USD and SGD.
- CEL is facing heavy upcoming obligations on new projects awarded and additionally its USD355mn perpetual will face a first call in November 2018. We see the financing support from CITIC Finance as a credit positive. (Company OCBC)

Credit Headlines (cont'd):

Keppel Telecommunications & Transportation Limited (“KPTT”) | Issuer Profile: Neutral (4) and Keppel Corp Ltd (“KEP”) | Issuer Profile: Neutral (3)

- In relation to the [potential transaction involving KPTT's stake in M1 Limited](#) (“M1”), reportedly KPTT and Singapore Press Holdings are considering to launch a general offer for shares that they do not already own in M1. KPTT holds a ~19.3%-stake in M1 as its second largest shareholder while KPTT is in turned ~79.2%-owned by KEP. (Bloomberg)

Chip Eng Seng Corp Ltd (“CES”) | Issuer Profile: Negative (6)

- CES announced sale of its 10,165 sq m freehold development site located at 242 West Coast Highway, Scarborough, Western Australia for AUD24.5mn. CES increased its shareholding of the site from 75% to 100% in 2012.
- Transaction is expected to complete on 1 November 2018 and unlikely to have a material impact on CES' portfolio. (OCBC, Company)

Golden Agri-Resources Ltd (“GGR”) | Issuer Profile: Neutral (5)

- GGR's indirect wholly-owned subsidiary, Golden Agri International India Holding Pte Ltd (“GGRI”), and GGRI's 75%-owned subsidiary, Gemini Edibles & Fats India Private Limited (“Gemini”), have entered into conditional agreements for a new potential equity investor to take a 25%-stake in the enlarged issued and fully paid up share capital of Gemini. The transaction will also involve a restructuring of existing shareholdings in Gemini. Gemini is involved in the trading, manufacturing and marketing of edible oils and fats focusing on India under its own brands.
- The proposed new investor, Black River Food 2 Pte Ltd, is an investment fund managed by Proterra Investment Partners LP (a private equity manager focused on agriculture, food, metals and mining). The new investor is expected to subscribe for new shares and additionally buy existing shares in Gemini held by GGRI and other investors (“vendor shares”), at a sum amounting to INR6.4bn (~USD89.6mn).
- There is no detailed breakdown as to the quantum to be paid by the new investor on new Gemini shares versus the vendor shares. It was though disclosed that post-transaction, GGRI's shareholding in Gemini will be reduced to 56%. The new investor will also have a put option back to Gemini as a possible future exit route. (Company, OCBC)

Groupe BPCE (“GBPCE”) / BPCE SA | Issuer Profile: Neutral (4)

- GBPCE is in exclusive negotiations with Moroccan banking group Banque Centrale Populaire to dispose of GBPCE's businesses in Cameroon, Madagascar, Congo and Tunisia.
- These businesses reside in GBPCE's BPCE International division, which includes the international subsidiaries of GBPCE, except for Natixis. This division contributed less than 0.5% to the consolidated restated income before tax in 1H2018.
- The proposed businesses for disposal contributed less than 1% to net banking income in FY2017 therefore will not move its Neutral (4) issuer profile under our framework.
- GBPCE is currently implementing its TEC 2020 which is focused on digital transformation, stakeholder engagement and growth in its core businesses as seen in its recently announced acquisition of Natixis' retail related specialized finance businesses. (OCBC, Company)

Table 1: Key Financial Indicators

	26-Sep	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	83	7	5
iTraxx SovX APAC	10	-2	-1
iTraxx Japan	58	7	3
iTraxx Australia	76	6	3
CDX NA IG	63	6	4
CDX NA HY	107	0	0
iTraxx Eur Main	69	9	4
iTraxx Eur XO	271	-7	-15
iTraxx Eur Snr Fin	81	13	0
iTraxx Sovx WE	23	-1	-5
AUD/USD	0.725	-0.18%	-1.37%
EUR/USD	1.176	0.78%	0.74%
USD/SGD	1.366	0.21%	-0.28%
China 5Y CDS	59	4	4
Malaysia 5Y CDS	98	4	12
Indonesia 5Y CDS	137	4	21
Thailand 5Y CDS	42	2	1

	26-Sep	1W chg	1M chg
Brent Crude Spot (\$/bbl)	81.87	3.59%	7.98%
Gold Spot (\$/oz)	1,201.15	-0.24%	-0.84%
CRB	195.12	2.39%	1.58%
GSCI	482.50	3.14%	4.03%
VIX	12.42	-2.89%	3.59%
CT10 (bp)	3.095%	3.19	28.47
USD Swap Spread 10Y (bp)	5	0	-2
USD Swap Spread 30Y (bp)	-7	1	-2
TED Spread (bp)	18	-1	-5
US Libor-OIS Spread (bp)	18	-1	-6
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	26,492	0.93%	2.72%
SPX	2,916	0.39%	1.42%
MSCI Asiax	653	0.85%	-0.85%
HSI	27,499	2.10%	-0.62%
STI	3,236	3.08%	0.72%
KLCI	1,794	0.09%	-0.78%
JCI	5,874	1.08%	-1.58%

New issues

- There were no new issuances over 25 Sept 2018.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
24-Sept-18	CFLD (Cayman) Investment Ltd	USD100mn	CHFOTN 9.0%'21s	8.991% + accrued interest
21-Sept-18	Lum Chang Holdings Limited	SGD40mn	3-year	5.8%
20-Sept-18	Soilbuild Business Space REIT	SGD65mn	Perp NC3	6.0%
19-Sept-18	ICICI Bank UK PLC	SGD100mn	10-year	5.375%
19-Sept-18	BOC Aviation Ltd	USD500mn	5-year	3mL+112.5bps
19-Sept-18	Country Garden Holdings Company Ltd	USD425mn	3-year	7.125%
19-Sept-18	Country Garden Holdings Company Ltd	USD550mn	5-year	8.0%
19-Sept-18	Zhenro Properties Group Ltd	USD280mn	2.25-year	13.70%
19-Sept-18	Easy Tactic Limited	USD200mn	3-year	8.875%
19-Sept-18	Maoye Intl Holdings	USD150mn	2-year	13.25%
19-Sept-18	Agricultural Development Bank of China	USD700mn	3-year	3mL+62bps
19-Sept-18	Agricultural Development Bank of China	CNH1.2bn	2-year	4.16%
19-Sept-18	Asian Development Bank	USD750mn	10-year	MS+11bps
19-Sept-18	JT International Financial Services B.V.	USD525mn	5-year	CT5+65bps
19-Sept-18	JT International Financial Services B.V.	USD500mn	10-year	CT10+90bps
19-Sept-18	State Bank of India, London Branch	USD650mn	5-year	T+165bps

Source: OCBC, Bloomberg

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