

June 8, 2018

Credit Headlines: CITIC Envirotech Ltd

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates for the shorter tenors trading around 1bps higher while swap rates along the belly as well as the longer end of the curve traded 2-3bps higher.
- Flows in SGD corporates were moderate yesterday.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened by 1bps to 137bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened by 8bps to 455bps.
- 10Y UST yields fell 5bps to 2.92% as safe-haven demand rose on tension between the United States and its major trade partners ahead of the G7 summit, reversing the prior day's sell-off.

Credit Headlines

CITIC Envirotech Ltd ("CEL") | Issuer Profile: Neutral (4)

- CEL announced that it has secured a fully-integrated environmental project worth RMB1.0bn (~SGD208mn) in Anyang City, Henan Province. The project comes with a 38 year service concession period and a 60% minimum offtake by the government for wastewater treatment, water purification, water recycling and cogeneration.
- This is a build-operate-transfer project involving the design, construction and operation of a (1) 30,000 m3/day wastewater treatment plant (2) 25,000 m3/day water purification plant (3) 10,000 m3/day water recycling plant (4) a cogeneration plant with design capacities of 100 tons steam/ hour and 600,000 kwh electricity/day and (5) 220,000 sqm production factory and workers dormitory.
- CEL and its partner for the project, Fengzhu Textile Technology Co., Ltd ("Fengzhu") will set up a project company with CEL holding a 90%-stake and Fengzhu holding a 10%-stake. Fengzhu is listed in China and is a knitted dyeing and finishing manufacturer and knitwear exporter.
- The project will start in 3Q2018 and take two years to complete. CEL expects to fund the project using bank financing and equity raised from its recent placement.
- In end-2017, CEL's capital commitments were SGD1.3bn, and this new project will bring capital commitments up to SGD1.5bn. These commitments would need to be progressively carried out in the next 24 months and we expect operating cash flow generated to be slower versus outflows during this high growth period.
- Certain projects are held in conjunction with third parties, taking only the proportion attributable to CEL, CEL is committed to fund SGD1.4bn based on our estimation. Though, CEL will need to consolidate all the new debt taken (~SGD1.0bn assuming a 70:30 debt-to-equity funding structure) given its controlling stake in the project companies. As at 31 March 2018, CEL's gross debt was SGD771.3mn. Our base case assumes that (1) CEL would progressively raise straight equity to keep leverage ratios in check and (2) new projects are profitable which allows CEL to accumulate retained earnings.
- For now, we are maintaining CEL at issuer profile Neutral (4) and have not factored in state support in this issuer profile. (OCBC, Company)

Table 1: Key Financial Indicators

	<u>8-Jun</u>	<u>1W chg (bps)</u>	<u>1M chg (bps)</u>
iTraxx Asiax IG	77	0	-1
iTraxx SovX APAC	13	1	0
iTraxx Japan	51	-1	2
iTraxx Australia	69	-1	2
CDX NA IG	67	1	4
CDX NA HY	107	0	0
iTraxx Eur Main	74	6	17
iTraxx Eur XO	309	14	34
iTraxx Eur Snr Fin	87	7	26
iTraxx Sovx WE	28	2	10
AUD/USD	0.762	0.67%	2.21%
EUR/USD	1.181	1.25%	-0.50%
USD/SGD	1.334	0.42%	0.45%
China 5Y CDS	56	0	-6
Malaysia 5Y CDS	94	1	8
Indonesia 5Y CDS	125	3	-4
Thailand 5Y CDS	45	0	-1

	<u>8-Jun</u>	<u>1W chg</u>	<u>1M chg</u>
Brent Crude Spot (\$/bbl)	77.28	0.64%	3.25%
Gold Spot (\$/oz)	1,297.24	0.30%	-1.32%
CRB	199.49	-1.65%	-1.29%
GSCI	477.43	0.07%	0.09%
VIX	12.13	-21.39%	-17.54%
CT10 (bp)	2.937%	3.47	-3.91
USD Swap Spread 10Y (bp)	6	0	2
USD Swap Spread 30Y (bp)	-7	0	3
TED Spread (bp)	41	-2	-11
US Libor-OIS Spread (bp)	41	-1	-9
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,241	3.38%	3.62%
SPX	2,770	2.41%	3.68%
MSCI Asiax	732	2.62%	2.55%
HSI	31,300	2.65%	2.95%
STI	3,457	0.87%	-2.42%
KLCI	1,777	1.17%	-3.77%
JCI	6,079	1.59%	5.27%

Source: OCBC, Bloomberg

New issues

- ASB Bank Ltd has priced a USD1bn deal across two tranches with the USD500mn 5-year fixed rate bond priced at CT5+110bps, tightening from the initial price guidance of CT5+125bps area and the USD500mn 5-year FRN priced at 3mL+97bps, in line with its initial price guidance.
- Export-Import Bank of Korea has priced a CNH1.5bn 3-year bond at 4.65%, in line with its initial price guidance.
- Asian Development Bank has priced a GBP100mn re-tap of its ASIA 1.375%'23 at UKT+30bps, in line with its initial price guidance.
- Heungkuk Fire & Marine Insurance Co Ltd has scheduled for investor meetings on 12 Jun for its potential USD bond issuance.
- GS Caltex Corp has scheduled for investor meetings from 14 Jun for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
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
7-June-18	ASB Bank Ltd	USD500mn	5-year	CT5+110bps
6-June-18	China Everbright Bank Co Ltd/Hong Kong	USD300mn	3-year	3mL+85bps
6-June-18	China Everbright Bank Co Ltd/Hong Kong	EUR300mn	3-year	3mE+75bps
6-June-18	Astrea IV Pte Ltd	SGD242mn	10NC5	4.35%
6-June-18	Astrea IV Pte Ltd	USD210mn	10NC5	5.5%
6-June-18	Astrea IV Pte Ltd	USD110mn	10-year	6.75%
5-June-18	Industrial and Commercial Bank of China Ltd (London Branch)	USD500mn	5-year	3mL+83bps
5-June-18	Industrial and Commercial Bank of China Ltd (London Branch)	USD500mn	3-year	3mL+73bps
5-June-18	Industrial and Commercial Bank of China Ltd (London Branch)	EUR500mn	3-year	3mE+50bps
5-June-18	Easy Tactic Ltd (re-tap)	USD200mn	GZRFPR 7%'21s	97.5+accrued interest
4-June-18	Hyundai Capital America	USD300mn	5-year	CT5+135bps
4-June-18	Hyundai Capital America	USD650mn	3-year	3mL+94bps
4-June-18	Hyundai Capital America	USD350mn	3-year	CT3+115bps
4-June-18	DBS Group Holdings Ltd	USD750mn	10.5NC5.5	CT10+173bps

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