

February 19, 2018

**Credit Headlines:** Sembcorp Industries Ltd, Frasers Property Limited, Lippo Malls Indonesia Retail Trust

**Market Commentary:** The SGD swap curve steepened over last Thursday and Friday, with swap rates trading higher on the longer end by 3bps – 4bps. Flows in SGD corporates were heavy last Friday. In the broader dollar space last Friday, the Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 112bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 349bps. 10Y UST yield fell 3bps to 2.87% last Friday, as investors bought back bonds after inflation data spurred a selloff earlier in the week.

**Rating Changes:** Moody's has assigned an 'A1' issuer rating to Toyota Industries Corporation. The outlook is stable. The rating action reflects Toyota Industries' leading global market position in lift trucks and car air-conditioning compressors that support its sound earnings and financial position. The rating also takes into account the cyclical demand for automobiles and materials handling equipment that could cause periodic fluctuations in margins, as well as both the benefits and potential vulnerability from the company's high dependence on its main customer, Toyota Motor Corporation.

**Table 1: Key Financial Indicators**

	19-Feb	1W chg (bps)	1M chg (bps)		19-Feb	1W chg	1M chg
iTraxx Asiax IG	67	-12	6	Brent Crude Spot (\$/bbl)	65.08	3.98%	-5.15%
iTraxx SovX APAC	13	-1	2	Gold Spot (\$/oz)	1,349.26	2.01%	1.31%
iTraxx Japan	47	-5	4	CRB	193.58	2.69%	-0.98%
iTraxx Australia	59	-9	4	GSCI	443.59	3.52%	-1.51%
CDX NA IG	52	-11	4	VIX	19.46	-33.04%	72.67%
CDX NA HY	108	2	-1	CT10 (bp)	2.875%	1.64	21.57
iTraxx Eur Main	51	-3	7	USD Swap Spread 10Y (bp)	2	1	2
iTraxx Eur XO	261	-9	29	USD Swap Spread 30Y (bp)	-15	4	3
iTraxx Eur Snr Fin	51	-3	8	TED Spread (bp)	29	3	-2
iTraxx Sovx WE	19	-1	-1	US Libor-OIS Spread (bp)	30	4	5
iTraxx Sovx CEEMEA	32	-3	0	Euro Libor-OIS Spread (bp)	2	-1	0
					19-Feb	1W chg	1M chg
				AUD/USD	0.792	0.70%	-0.98%
				USD/CHF	0.927	1.35%	3.88%
				EUR/USD	1.242	1.06%	1.64%
				USD/SGD	1.311	0.89%	0.72%
Korea 5Y CDS	52	-4	9	DJIA	25,219	4.25%	-3.27%
China 5Y CDS	57	-12	8	SPX	2,732	4.30%	-2.78%
Malaysia 5Y CDS	60	-12	6	MSCI Asiax	726	3.45%	-3.97%
Philippines 5Y CDS	61	-13	6	HSI	31,115	2.18%	-2.47%
Indonesia 5Y CDS	86	-15	6	STI	3,444	0.81%	-3.01%
Thailand 5Y CDS	40	-5	-1	KLCI	1,838	-0.06%	0.67%
				JCI	6,592	0.72%	2.52%

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

Date	Issuer	Ratings	Size	Tenor	Pricing
13-Feb-18	Ronshine China Holdings Ltd	'NR/NR/B+'	USD100mn	RONXIN 8.25% 21s	98.688 + accrued interest
09-Feb-18	Golden Energy and Resources Ltd	'NR/B1/B+'	USD150mn	5NC3s	9.375%
09-Feb-18	Fantasia Holdings Group Co Ltd	'B+/B2/NR'	USD300mn	1-year	7.25%
07-Feb-18	Full Dragon (Hong Kong) International Development Ltd	'NR/NR/BB+'	USD300mn	3-year	5.85%
07-Feb-18	Shangrao Investment Holdings International Co Ltd	Not rated	USD200mn	3-year	6.4%
07-Feb-18	Daegu Bank Ltd	'A-/A2/NR'	USD300mn	5.5-year	CT5+135bps
06-Feb-18	Sunshine 100 China Holdings	Not rated	USD165mn	SUNCH 8.5% 20s	100+ accrued interest
2-Feb-18	Greenland Global Investment Ltd	'NR/Ba2/NR'	USD400mn	3-year	5.25%

Source: OCBC, Bloomberg

## Credit Headlines:

**Sembcorp Industries Ltd (“SCI”):** As mentioned previously, (see [OCBC Asian Credit Daily – 19 January 2018](#)) there was news that SCI is seeking to list its India power business, with draft IPO papers expected to be filed with SEBI in February 2018. Though SCI had subsequently provided a “at present there are no developments warranting an announcement” statement, there are new developments indicating that an IPO could indeed be in the works. Specifically, SCI announced that it had reorganized its India energy operations and had transferred relevant India thermal and renewable energy businesses to under one consolidated entity, Thermal Powertech Corporation India (“TPCIL”). SCI holds an effective stake of 93.7% while its partner holds a balance of 6.3%. As mentioned previously, as of 3Q2017, SCI’s India power assets include two thermal power plants, as well as a number of renewable energy assets (such as solar) totalling 3,800MW. With SCI reporting SGD6.3bn in total assets in India (which we believe are largely related to the power business), this roughly constitutes 27% of SCI’s total assets. We estimate as well that SCI had ~SGD4.4bn in borrowings related to its India power business. In the event that a majority stake in the India power business is sold, the India power business will become an associate and deconsolidated from SCI’s balance sheet. In our view, such an outcome would be positive for SCI’s credit profile as the power generation businesses tend to be highly levered due to their steady cash flow generation, and the deconsolidation would improve SCI’s leverage profile (with net gearing easing). The deconsolidation would also have a positive impact on SCI’s EBITDA as the India power business had been reporting losses (see [OCBC Asian Credit Daily – 3 November 2017](#)). We expect the outcome of SCI’s strategic review to be reported soon, potentially when SCI reports its 4Q2017 results on 22/02/18. The discussion of its strategic review may give the management the opportunity to elaborate on any potential asset divestments (including the India power business) in the context of the management’s overall strategic positioning. We currently hold SCI’s Issuer Profile at Neutral (4), and will update accordingly should a transaction occur. (Company, OCBC)

**Frasers Property Limited (“FPL”):** FPL announced that it entered into various Sale and Purchase Agreements to acquire 22 logistics and light industrial properties in Germany and Australia. 5 of these properties are currently partly or wholly under development. In addition, FPL will also be acquiring the project and asset management business of Alpha Industrial Holdings S.A, the current owner / manager of these assets. The properties have an aggregate GLA of 393,800 sqm and a WALE of 6.2 years (excludes a further 127,500 sqm currently under development). The acquisition would bring FPL’s Europe property portfolio to EUR1.6bn, with over 1.3mn sqm in GLA. The total consideration payable is ~EUR285.2mn (~SGD467.7mn), with the aggregate valuation of the properties at EUR581.3mn (~SGD953.3mn). FPL mentioned that the transaction will be funded with borrowings and internal resources. We note that FPL had been more aggressive with its balance sheet (see [OCBC Asian Credit Daily – 12 February 2018](#)) and had a net gearing of 85% as of 1QFY2018. Furthermore, FPL had other payment commitments the balance of payment for the Jiak Kim Street Site and the recently announced additional TICON acquisition. We are currently reviewing FPL’s Neutral (4) Issuer Profile, and may adjust this post completion of our review. (Company, OCBC)

**Lippo Malls Indonesia Retail Trust (“LMRT”):** On 15/02/18, LMRT announced that it has requested Moody’s to withdraw its “Baa3” issuer rating. According to LMRT, the withdrawal was made as there is no longer any regulatory requirement to maintain a credit rating. (Company)

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