

January 23, 2018

**Credit Headlines (Page 2 onwards):** Frasers Commercial Trust, Nam Cheong Limited, Capitaland Commercial Trust, Mapletree Logistics Trust

**Market Commentary:** The SGD swap curve bear-steepened yesterday, with swap rates for shorter tenors trading 2-5bps higher while the longer tenors traded 6-8bps higher. Flows in SGD corporates were yesterday, with better buying in BACR 3.75%'30s. In the broader dollar space, the Bloomberg Barclays Asia USD IG Bond Index average OAS traded little changed at 107bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 1bps to 326bps. 10Y UST fell 3bps to 2.63% as news of the U.S government shutdown brought fears to the market. 10Y UST yields however recovered to 2.65% on Democratic Senator Schumer's announcement that the chamber has a deal to end the federal government shutdown.

**New Issues:** Fortune Star (BVI) Ltd has priced a USD450mn 5NC3 bond at 5.95% and a USD250mn retap of its FOSUNI 5.375%'20 ( both guaranteed by Fosun International Ltd) at 101, tightening from its initial guidance of 6.125% and 100.5 respectively. The expected issue ratings are 'BB/Ba2/NR'. Korea Southern Power Co Ltd has priced a USD400mn 3-year bond at CT3+90-95bps, tightening from its initial guidance of CT3+115bps area. The expected issue ratings are 'NR/Aa2/AA-'. PT Soechi Lines Tbk has scheduled for investor calls from 22 Jan for its potential USD bond issuance. International Financial Services Centre (IFSC) Banking Unit has scheduled for investor meetings from 23 Jan for its potential USD bond issuance. Shimao Property Holdings Ltd is planning to issue USD senior notes.

**Rating Changes:** S&P revised the corporate credit rating on Fufeng Group Ltd (Fufeng) to 'BBB-' from 'BB+' to reflect S&P's view that Fufeng's conservative financial policy, stable profitability, and diversifying revenue base will allow the company to maintain its debt-to-EBITDA ratio below 1.5x over the next 24 months. The outlook is stable. S&P has revised the rating for Yingde Gases Group Co Ltd to 'B' from 'CCC+', removing it from the CreditWatch positive. The outlook is stable. Moody's has affirmed PT Soechi : Lines Tbk's (Soechi) 'B1' corporate family rating and assigned a

**Table 1: Key Financial Indicators**

|                    | 23-Jan | 1W chg (bps) | 1M chg (bps) |                            | 23-Jan   | 1W chg | 1M chg |
|--------------------|--------|--------------|--------------|----------------------------|----------|--------|--------|
| iTraxx Asiax IG    | 63     | 3            | -4           | Brent Crude Spot (\$/bbl)  | 69.03    | -1.75% | 5.79%  |
| iTraxx SovX APAC   | 11     | 1            | -2           | Gold Spot (\$/oz)          | 1,334.32 | -0.31% | 4.72%  |
| iTraxx Japan       | 43     | 0            | -2           | CRB                        | 196.22   | 0.08%  | 4.44%  |
| iTraxx Australia   | 55     | 1            | -5           | GSCI                       | 452.35   | -0.20% | 5.36%  |
| CDX NA IG          | 47     | 0            | -2           | VIX                        | 11.03    | 8.56%  | 11.41% |
| CDX NA HY          | 109    | 0            | 0            | CT10 (bp)                  | 2.652%   | 11.48  | 17.09  |
| iTraxx Eur Main    | 44     | -1           | -1           | USD Swap Spread 10Y (bp)   | 5        | 4      | 7      |
| iTraxx Eur XO      | 230    | -2           | 0            | USD Swap Spread 30Y (bp)   | -11      | 7      | 11     |
| iTraxx Eur Shr Fin | 42     | -1           | -2           | TED Spread (bp)            | 32       | 3      | 2      |
| iTraxx Sovx WE     | 0      |              |              | US Libor-OIS Spread (bp)   | 25       | 0      | -2     |
| iTraxx Sovx CEEMEA | 32     | -1           | -3           | Euro Libor-OIS Spread (bp) | 2        | 1      | 1      |
|                    |        |              |              |                            |          |        |        |
|                    |        |              |              |                            | 23-Jan   | 1W chg | 1M chg |
|                    |        |              |              | AUD/USD                    | 0.802    | 0.72%  | 3.90%  |
|                    |        |              |              | USD/CHF                    | 0.961    | -0.18% | 3.00%  |
|                    |        |              |              | EUR/USD                    | 1.227    | 0.07%  | 3.36%  |
|                    |        |              |              | USD/SGD                    | 1.318    | 0.20%  | 1.96%  |
|                    |        |              |              |                            |          |        |        |
| Korea 5Y CDS       | 45     | 2            | -8           | DJIA                       | 26,215   | 1.59%  | 5.90%  |
| China 5Y CDS       | 50     | 3            | -1           | SPX                        | 2,833    | 1.68%  | 5.58%  |
| Malaysia 5Y CDS    | 55     | 2            | -4           | MSCI Asiax                 | 759      | 1.29%  | 7.69%  |
| Philippines 5Y CDS | 56     | 1            | -3           | HSI                        | 32,393   | 3.36%  | 9.52%  |
| Indonesia 5Y CDS   | 81     | 1            | -5           | STI                        | 3,569    | 0.93%  | 5.43%  |
| Thailand 5Y CDS    | 41     | -1           | -5           | KLCI                       | 1,833    | 0.40%  | 4.14%  |
|                    |        |              |              | JCI                        | 6,501    | 1.85%  | 4.49%  |

Source: OCBC, Bloomberg

**Table 2: Recent Asian New Issues**

| Date      | Issuer                        | Ratings      | Size     | Tenor            | Pricing      |
|-----------|-------------------------------|--------------|----------|------------------|--------------|
| 22-Jan-18 | Korea Southern Power Co Ltd   | 'NR/Aa2/AA-' | USD400mn | 3-year           | CT3+90-95bps |
| 22-Jan-18 | Fortune Star (BVI) Ltd        | 'BB/Ba2/NR'  | USD250mn | FOSUNI 5.375%'20 | 101          |
| 22-Jan-18 | Fortune Star (BVI) Ltd        | 'BB/Ba2/NR'  | USD450mn | 5NC3             | 5.95%        |
| 22-Jan-18 | Housing & Development Board   | Not rated    | SGD15mn  | 10-year          | 2.32%        |
| 18-Jan-18 | Triceratops Capital Co Ltd    | 'NR/A1/NR'   | EUR500mn | 3-year           | MS+77bps     |
| 18-Jan-18 | Geely Automobile Holdings Ltd | 'BBB-/NR/NR' | USD300mn | 5-year           | CT5+130bps   |
| 18-Jan-18 | Sino Trendy Investment Ltd    | 'NR/NR/BBB'  | USD200mn | 3-year           | CT3+182.5bps |
| 18-Jan-18 | Tata Steel Ltd                | 'BB-/NR/NR'  | USD1bn   | 10-year          | 5.45%        |
| 18-Jan-18 | Tata Steel Ltd                | 'BB-/NR/NR'  | USD300mn | 5.5-year         | 4.45%        |
| 17-Jan-18 | Housing & Development Board   | Not rated    | SGD515mn | 10-year          | 2.32%        |

Source: OCBC, Bloomberg

**Rating Changes (cont'd)** : 'B1' senior unsecured rating to the proposed notes issued by Soechi Capital Pte Ltd, a wholly owned subsidiary of Soechi. The outlook is stable. The rating action reflects Soechi's high barriers to entry created by cabotage laws in Indonesia which mandate the use of Indonesia-flagged vessels for domestic sea freight transportation and the benefits of a strong and long-standing relationship with PT Pertamina (Persero), which accounted for 62% of its revenue for 9M2017. Moody's has withdrawn Quintis Limited's (Quintis) corporate family rating and senior secured rating of 'C'. The outlook is stable. The rating action reflects Quintis's announcement on 20 January that it will enter into voluntary administration. Fitch has assigned Central China Real Estate Ltd (CCRE) an issuer default rating of 'BB-'. The outlook is stable. The rating action reflects CCRE's healthy financial profile and low leverage coupled with its competitive positioning as a real estate developer in Henan province, with broad housing product diversification and growing non-property development business from rental properties and project management. However, Fitch acknowledged that CCRE's ratings are limited by its aggressive expansion strategy in the next two years and its leverage is expected to face upward pressure to above 30% over this period.

## Credit Headlines:

**Frasers Commercial Trust ("FCOT")**: FCOT reported 1QFY2018 results, with gross revenue down 11.0% y/y to SGD35.3mn and NPI down a sharper 14.9% y/y to SGD24.9mn. This was largely as expected, given the exit of HP Enterprise and the staggered exit of HP Singapore from Alexandra Technopark (current committed occupancy stands at 79.9%), which caused property NPI to fall 25% y/y to just SGD7.6mn (Alexandra Technopark is FCOT's largest asset by NPI contribution). China Square Central also saw property NPI fall by 15% to SGD4mn due to the closure of the retail podium for its SGD38mn AEI (construction to start in 1Q2018), to better position the asset for when the Capri hotel opens in 2019. That said, FCOT's other assets were also unexpectedly weak, with 55 Market Street seeing NPI fall 12% y/y as well due to occupancy issues while FCOT's Australian assets were affected by the weaker AUD. Occupancy issues (property actual occupancy only 64.6%) too caused the Central Park's NPI to decline 19% y/y (on top of the AUD impact). In aggregate, portfolio occupancy has fallen sharply from 93.0% (1QFY2017) to 80.3% (1QFY2018). Lease expiry for FY2018 looks heavy at 19.3% of NLA expiring, of which a sizable amount is due to HP Singapore leaving Alexandra Technopark. Given the expected AEI work across various properties, we expect FCOT's numbers to remain weak for the next two quarters. WALE remained stable at 3.6 years, supported by the longer leases on the Australian assets. Curiously, FCOT had stopped disclosing rental reversion numbers during the quarter, when it was previously available. Aggregate leverage had remained stable at 34.8% (4QFY2017: 34.7%). As noted previously (refer to [OCBC Asian Credit Daily \(22 Jan\)](#)) FCOT will be funding the acquisition of 50% of Farnborough Business Park with a GBP88mn (~SGD160mn) 6-month unsecured loan, with the transaction expected to close by end-January 2018. We estimate that this would drive aggregate leverage higher to ~42.3%. That said, given the short-term nature of the loan, FCOT may have other plans with regards to the final financing of the acquisition. Reported interest coverage stands at 4.3x, with the average borrowing rate at 3.04%. Floating rate borrowings had increase somewhat to 19.3%, compared to 15% in 1QFY2017. Near-term borrowings look manageable, with SGD140mn in AUD bank loans and SGD40mn in SGD bank loans due. FCOT had managed to issue 3 bonds in 2017. One thing worth noting, is that with the previously announced expansion of FCOT's investment mandate to include European assets, FCOT had highlighted that it now has a SGD4.0bn acquisition pipeline due to ROFR assets from its sponsor, Frasers Centrepoint Limited, over properties in Singapore, Australia and the UK. Should FCOT start to ramp up its portfolio via acquisitions, it could pressure FCOT's credit profile if more debt is taken to fund its growth. Already, the debt funded acquisition of Farnborough Business Park will stretch FCOT's aggregate leverage. We are currently holding FCOT at Neutral (4) Issuer Profile, but may consider FCOT for a downgrade should it keep its aggregate leverage elevated. (Company, OCBC)

**Nam Cheong Limited ("NCL")**: NCL had announced that the Schemes of Arrangement with regards to its two Malaysian operating entities, Nam Cheong Dockyard Sdn Bhd ("NCD") as well as Nam Cheong International Ltd ("NCI") had been successfully passed, with 81% of NCD's creditors approving the scheme and with 95% of NCI's creditors approving the scheme. NCL's Singapore Scheme of Arrangement is scheduled to be held on 24/01/18. Please refer to our previous report on NCL for more details ([OCBC Asia Credit - Nam Cheong Credit Update \(6 Dec\)](#)). (Company, OCBC)

## Credit Headlines (cont'd):

**Capitaland Commercial Trust (“CCT”):** CCT had announced that it refinanced part of the SGD1120mn in existing borrowings used to finance the SGD2.1bn acquisition of Asia Square Tower 2. The current SGD1120mn in borrowings is scheduled to mature in March 2019. However, CCT had refinanced SGD600mn ahead of time, via a SGD300mn 4Y unsecured loan and SGD300mn 5Y unsecured loan. CCT had indicated that they will refinance the balance SGD520mn of the original facility in due course. CCT will be announcing its full-year results on 25/01/18. The biggest impact on CCT's balance sheet would be the acquisition of Asia Square Tower 2 (which was completed in November 2017) though this would be partly mitigated by potential portfolio revaluation gains. We will update accordingly when results are out, and currently hold CCT at Neutral (3) Issuer Profile. (Company, OCBC)

**Mapletree Logistics Trust (“MLT”):** MLT reported its results for the first nine months of the financial year ending March 2018 (“9MFY2018”). Gross revenue increased 4.0% y/y to SGD287.7mn. This is mainly attributed to higher revenue from existing properties in Hong Kong, Mapletree Logistics Tsing Yi in Hong Kong (acquired in October 2017), full nine months contribution from the eight properties acquired in Australia, one in Malaysia, one in Vietnam and higher translated AUD and KRW. This was partly offset by a building in Korea that was converted into a multi-tenanted building, lower revenue from Ouluo Logistics Centre, absence of revenue from three divestments and the impact of a weaker JPY and MYR. Borrowing costs increased 9.5% y/y to SGD39.3mn mainly due to higher borrowings to fund acquisitions and asset enhancement, though this was partly offset by lower costs on JPY loans. EBITDA (which does not take into account other income and other expenses) increased 8.9% y/y to SGD216.0mn, resulting in a stable EBITDA/Interest of 5.5x. Perpetuals amounted to SGD430.0mn as at 31 December 2017, representing 7.1% of total capital. Assuming that MLT pays perpetual distributions of SGD12.8mn in 9MFY2018, and taking 50% of that as interest, we find EBITDA/(Interest plus 50% perpetual distribution) at 4.7x. Unadjusted aggregate leverage as at 31 December 2017 was reported at 37.8%, slightly lower than 38.5% at the beginning of the financial year. MLT is also in the midst of acquiring the remaining 38%-stake of Shatin No. 3 in Hong Kong for ~SGD103.7mn (targeted completion in January 2018) and aggregate leverage is expected to rise to ~39% post-completion. Short term debt as at 31 December 2017 was minimal at SGD65.7mn (representing only 2.7% of gross debt). Portfolio occupancy as at 31 December 2017 inched higher to 96.2% (30 September 2017: 95.8%), led by improvements in Hong Kong, South Korea and Malaysia. Japan, Australia and Vietnam stayed at full occupancy. China and Singapore saw a decline, with Singapore declining to 93.3% from 94.8% as at 30 September 2017. Singapore occupancy as at 31 December 2017 factors in the newly redeveloped 76 Pioneer Road (55% committed occupancy). Despite MLT's strong interest coverage and significant scale, we expect MLT to continue its portfolio rejuvenation, leading to periodic higher aggregate leverage versus its immediate peers, and as such we maintain MLT's issuer profile at Neutral (4). (Company, OCBC)

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