

**Asian Credit Daily**

22 April 2024

**Market Commentary:**

- The SGD SORA curve traded mixed last Friday, with 1Y and 1.5Y tenors trading 1-2bps higher, 2Y and 3Y trading 1-2bps lower. Belly tenors trading 2bps lower and 10Y trading 2bps lower.
- Flows in SGD corporates were heavy, with flows in UBS 5.75%-PERP, BNP 5.9%-PERP, HSBC 4.75% '34s, BPCEGP 5% '34s, MAPLSP 3.7%-PERP, LLOYDS 5.25% '33s, STTGDC 5.7%-PERP.
- China Vanke Co. ("Vanke") is introducing several steps to build confidence on its ability to avoid default. Last week, Vanke clarified that its executives remain free to travel abroad. The developer is also preparing an asset package totalling about RMB130bn (USD18bn) to use as collateral as it seeks new bank loans. It is also seeking to sell its entire stake in logistics firm GLP Pte.
- Bloomberg Asia USD Investment Grade spreads widened by 1bps to 82bps while Asia USD High Yield spreads widened by 5bps to 606bps. (Bloomberg, OCBC)
- There were no notable bond issuances in the Asiadollar and Singdollar market last Friday.

**Credit Summary:**

- **Fraser and Neave Ltd ("FNN"):** FNN's CEO Hui Choon Kit was interviewed by The Business Times. We extracted several key points.
- **Lippo Malls Indonesia Retail Trust ("LMRT"):** Consent request from bank lenders to change the pledged assets of SGD Loan Facilities: LMRT is seeking consent from the lenders of SGD Loan Facilities (completed on 16 October 2023) to swap the collateral assets.

**Key Market Movements**

	22-Apr	1W chg (bps)	1M chg (bps)		22-Apr	1W chg	1M chg
iTraxx Asiax IG	116	4	13	Brent Crude Spot (\$/bbl)	86.7	-3.8%	1.5%
				Gold Spot (\$/oz)	2,383	0.0%	10.0%
iTraxx Japan	58	8	13	CRB Commodity Index	298	0.1%	4.3%
iTraxx Australia	77	9	14	S&P Commodity Index - GSCI	590	-1.3%	2.8%
CDX NA IG	57	0	5	VIX	18.7	8.1%	43.3%
CDX NA HY	105	0	-2	US10Y Yield	4.65%	5bp	45bp
iTraxx Eur Main	60	0	5				
iTraxx Eur XO	334	-1	32	AUD/USD	0.644	0.0%	-1.1%
iTraxx Eur Snr Fin	68	1	3	EUR/USD	1.066	0.4%	-1.4%
iTraxx Eur Sub Fin	122	-2	5	USD/SGD	1.362	0.1%	-1.0%
				AUD/SGD	0.877	0.1%	0.3%
USD Swap Spread 10Y	-38	1	-2	ASX200	7,655	-1.3%	-1.5%
USD Swap Spread 30Y	-77	0	-3	DJIA	37,986	0.0%	-3.8%
				SPX	4,967	-3.0%	-5.1%
China 5Y CDS	71	-2	1	MSCI Asiax	629	-2.7%	-3.7%
Malaysia 5Y CDS	48	1	7	HSI	16,224	-3.0%	-1.7%
Indonesia 5Y CDS	79	0	7	STI	3,177	-0.2%	-1.3%
Thailand 5Y CDS	47	1	4	KLCI	1,548	0.3%	0.3%
Australia 5Y CDS	16	1	1	JCI	7,087	-2.3%	-3.6%
				EU Stoxx 50	4,918	-0.7%	-2.2%

*Source: Bloomberg*

## Credit Headlines:

### Fraser and Neave Ltd (“FNN”)

- FNN’s CEO Hui Choon Kit was interviewed by The Business Times. We extract several key points below:
- **Dairy is a key focus** and is expected to grow to become a very big business.
  - FNN has begun work on integrated dairy farm in Malaysia and leased industrial land in Cambodia to build a dairy manufacturing facility (setup cost: USD37.5mn).
  - Currently, FNN is working with farmers’ unions and other companies to ensure good representation in the supermarket.
  - FNN became the largest caned milk producer in Southeast Asia after buying over Nestle’s canned and liquid milk business in Malaysia and Thailand in 2007.
- **Significant consumer presence, directly or indirectly.** This include:
  - FNN’s evaporated milk is used in BreadTalk/Toast Box.
  - Being the exclusive supplier for Kopi Kenangan (Indonesia’s largest coffee chain).
  - Customisation of recipe for large customers, including research and development.
  - Supermarkets prominently feature F&N juice, yogurt drinks, milk.
- **New products are rolled out as existing ones reached maturity.** FNN is moving away from sugary coloured drinks and looking at healthier alternatives such as carbonated water and drinks to help athletes recover.
- **Looking to at least maintain dividends as its dividend policy,** to ensure shareholders do not get a lower payout, and will not hoard money. (Business Times, Company, OCBC)

### Lippo Malls Indonesia Retail Trust (“LMRT”)

- **Consent request from bank lenders to change the pledged assets of SGD Loan Facilities:** LMRT is seeking consent from the lenders of SGD Loan Facilities (completed on 16 October 2023) to swap the collateral assets.
- Currently, **LMRT still has SGD198mn loan under the SGD Loan Facilities,** with SGD22mn, SGD22mn and SGD154mn due in 2024, 2025, and 2026 respectively.
- **Two valuable assets are being pledged under the SGD Loan Facilities:** Meanwhile, LMRT is currently pledging Sun Plaza (Valuation end-2023: SGD226mn) and Lippo Mall Kemang (Valuation end-2023: SGD187mn) under the SGD Loan Facilities.
- **One out and six smaller in:** With this latest announcement, LMRT is seeking to withdraw Sun Plaza as a collateral asset for the SGD Loan Facilities, replacing with
  - Mal Lippo Cikarang
  - Gajah Mada Plaza
  - Kramat Jati Indah
  - Lippo Mall Kuta
  - Plaza Madiun Units
  - Plaza Medan Fair
- Also, **an additional SGD25mn of loan prepayment will be brought forward to 2024** (from current 2026) as part of the conditions for the consent request.
- In the announcement, LMRT stated that “In relation to the outstanding USD notes issued by LMIRT Capital Pte. Ltd., the Manager is in discussion with CIMB Bank Berhad, Singapore Branch, Shanghai Pudong Development Bank, Singapore Branch, BNP Paribas and Deutsche Bank to explore potential liability management alternatives”.
- Notwithstanding that more assets are contemplated to be pledged (leaving USD bondholders with less unencumbered assets in the event of a liquidation), we believe this **could be a credit positive event for LMRT as this consent request is expected to pave the way for the abovementioned banks to provide a secured loan to LMRT,** which helps address LMRT’s liquidity crunch. It is possibly that Sun Plaza and possibly other valuable assets will be pledged to these potential lenders to obtain a secured loan.

- LMRT's liquidity risk remains high if there is no additional funding, LMRT is expected to pay USD138.4mn (SGD189mn) LMRTSP 7.25% '24s (due 19 June 2024) and SGD25.9mn loan repayment in 2024. (Company, OCBC)

	Carrying Value (31 Dec 2023) IDR'bn	Carrying Value (31 Dec 2023) SGD'mn	Occupancy (31 Dec 2023)	Collateral status based on 19 April 24 announcement
Lippo Mall Puri	4,192	358	92%	IDR loan collateral
Sun Plaza	2,650	226	96%	SGD loan collateral - out
Lippo Mall Kemang	2,194	187	83%	SGD loan collateral - stay
Palembang Icon	921	79	98%	
Gajah Mada Plaza	902	77	64%	SGD loan collateral - in
Mal Lippo Cikarang	843	72	97%	SGD loan collateral - in
Palembang Square	746	64	68%	
Plaza Medan Fair	542	46	95%	SGD loan collateral - in
Lippo Plaza Kramat Jati	542	46	70%	SGD loan collateral - in
Bandung Indah Plaza	402	34	78%	
Kediri Town Square	395	34	96%	
The Plaza Semanggi	393	34	53%	
Pluit Village	320	27	81%	
Lippo Mall Kuta	316	27	84%	SGD loan collateral - in
Palembang Square Extension	283	24	95%	
Istana Plaza	281	24	57%	
Lippo Plaza Kendari	256	22	63%	
Lippo Plaza Batu	226	19	95%	
Plaza Madiun Units	222	19	94%	SGD loan collateral - in
Lippo Plaza Ekalokasari Bogor	218	19	72%	
Lippo Plaza Jogja	216	18	65%	
Tamini Square	172	15	21%	
Malang Town Square Units	168	14	100%	
Depok Town Square Units	150	13	91%	
Java Supermall Units	128	11	99%	
Mall WTC Matahari Units	101	9	38%	
Metropolis Town Square Units	89	8	31%	
Cibubur Junction	66	6	88%	
Grand Palladium Units	66	6	0%	
<b>Total</b>	<b>17,999</b>	<b>1,537</b>	<b>79%</b>	

## Mandates:

- There are no Asiadollar mandates for today.
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