

IFR ASIA DCM BRIEFING

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ASIA PAC G3 (EX JAP) DCM

BOOKRUNNERS: 1/1/2013 TO 9/5/2013

	Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1	HSBC Holdings	72	10,281.3	10.7
2	Deutsche Bank	55	8,478.3	8.8
3	Citigroup	49	8,159.3	8.5
4	BofA Merrill Lynch	37	6,896.7	7.2
5	UBS	49	6,878.9	7.2
	Total	173	95,973.9	

Source: Thomson Reuters (SDC code: AR1)

ASIAN CURRENCIES DCM

BOOKRUNNERS: 1/1/2013 TO 9/5/2013

	Managing bank or group	No. of issues	Total US\$(m)	Share (%)
1	Citic	48	13,594.5	7.5
2	Bank of China	28	9,735.1	5.4
3	HSBC Holdings	193	9,308.1	5.1
4	Standard Chartered	131	6,970.8	3.8
5	Agricultural Bank of China	27	6,844.8	3.8
	Total	1,228	181,647.8	

Source: Thomson Reuters (SDC code: AS1)

HONG KONG DCM

BOOKRUNNERS: 1/1/2013 TO 9/5/2013

	Managing bank or group	No. of issues	Total HK\$(m)	Share (%)
1	HSBC Holdings	69	17,083.0	55.6
2	Standard Chartered	23	7,239.5	23.6
3	BNP Paribas	9	3,001.5	9.8
4	BofA Merrill Lynch	1	700.0	2.3
5	JP Morgan	1	560.0	1.8
	Total	111	30,700.5	

Source: Thomson Reuters (SDC code: AS5a)

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Investors had a busy day in the dollar market in Asia with four deals happening simultaneously. As they got caught up in the fray, however, one transaction stood out as yet another example of the extent to which the hunt for yields is driving investors into ever riskier credits without necessarily getting the proper reward for the quality of the paper they are buying.

BHAKTI INVESTAMA (B2/BB-) was on its way to price a US\$325m bond with a 5% handle after tightening guidance to 5.75%–6% from initial price talk of the 6.125% area. The Indonesian conglomerate is not the first from the country this year to price a tight deal, but its spotty past were a reminder of how heady things have become.

Bhakti was originally an Indonesian brokerage that became a private equity firm and ultimately one of Indonesia's largest conglomerates after acquiring assets from the Suharto family following their departure from Indonesian politics in the late 1990s and early 2000s.

Author Joe Studwell noted in his book "Asian Godfathers: Money and Power in Hong Kong and Southeast Asia", that Bhakti Investama's controller Bambang Harry Iswanto Tanoesoedibjo, known as Harry Tanoe, bought control of the Bimantara conglomerate from Suharto's son, Bambang Trihatmodjo in 2002. He also bought valuable licences during the presidency of Abdurrahman Wahid.

"Inevitably there is much speculation about how a businessman in his early forties acquired the financial heft to build up one of the largest business empires in the country (...) As ever, in Indonesia, there is no shortage of conspiracy theories," Studwell said in the book.

If the conspiracy theories were not enough to raise eyebrows, Bhakti Investama itself has a patchy record of dealing with bond investors. Investors will be mindful of the restructuring of a convertible bond issued by Mobile-8 Telecom (since renamed Smartfren) when the company was part of the Bhakti Group before Bhakti sold the company to UAE PE group, Sinar Mas Group and Samsung Electronics in 2010.

The restructuring involved a Rp675bn (US\$68m) 12.375% due 2012 domestic bond and a US\$100m 11.25% due 2013 offshore bond. The domestic bonds were subsequently termed out to 2017, with step-up coupons, while the offshore bond was exchanged into a due 2025 US\$100m convertible under a UK scheme of arrangement.

In mitigation of the credit challenge the paper is heavily overcollateralised to the tune of 200%. This comes via the pledge of up to 19% of the company's holding in Global Mediacom stock and up to 26% of its interest in MNC Land, including a debt service reserve account to meet two coupon payments. The issuing entity Ottawa International's capital stock is also part of the deal's collateral package and there is a proposed debt service escrow account to contain the equivalent of two coupon payments.

The underlying shares amount to roughly US\$700m in collateral, enough to make the bonds theoretically attractive in a Black-Scholes study. But, as one analyst said, that equity could be wiped out very quickly rendering the model useless.

"This is one of the most complex transactions in Asia, in terms of determining the dynamics of where the market is on this, what the credit [and its intricacies are] as well as technical situation surrounding Indonesian corporates," said an analyst.

And in spite of all that, it looks like the debt will be sold – and tight too.

Asia G3

CHINA RAILWAY CONSTRUCTION CORP (A3/A-) is playing its central government ownership to the hilt as it aggressively attempts to price its debut dollar bond.

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By the Asian close, the company had tightened guidance on its new 10-year Reg S bond to 180bp over Treasuries, (+/-2bp), 20bp tight to initial price talk of 200bp over. The deal is expected to have a maximum size of US\$800m.

At the final guidance, the deal comes way inside its closest comp, China Railway Corp, which has 2023 bonds that were being quoted at 190bp over.

In spite of the tight initial guidance, analysts expect the bonds to find good demand, given that CRCC is a state-owned enterprise wholly-owned by the State Council of the Chinese Government.

Global co-ordinators are *Citigroup*, *HSBC*, and *Morgan Stanley*, and they are also joint bookrunners alongside *Citic Securities*, *BNP Paribas* and *ABC Intl*.

Meanwhile, developer unrated **POLY PROPERTY HOLDING** also found strong support for its Reg S US\$500m five-year bond, thanks to its government connection. The company had released final guidance at 4.75%, 15bp tight to initial price talk, by the Asian close, amid more than US\$3bn in demand.

Leads *Deutsche Bank*, *ICBC International*, *Royal Bank of Scotland* and *UBS* referenced the unrated China Minmetals Land five-year trade from mid-April as a suitable comp. The paper for the government linked company, which was last bid at around the 4.53% mid area, having priced at 5.5% and, subsequently, surged up in price to a 104.00 handle in the recent credit rally.

And food producer **WANT WANT CHINA HOLDINGS** (A3/A-/A-) has adopted an aggressive stance indicating initial price guidance at 140bp area over Treasuries for a five-year US dollar benchmark-sized 144A/Reg S transaction.

There are few close comps, but there is one with a similar background – Tingyi, which is also a Taiwanese food company with major operations in the PRC. Tingyi has US\$500m of 3.875% due June 2017 outstanding quoted at five-year Treasuries plus 145bp or a G-spread of about 161bp.

Want Want China is rated one notch higher than Tingyi's Baa1/BBB+. The rule of thumb is for a 15bp premium for every rating notch. Hence, Want Want's fair value would be around 145bp, although some market players placed it a bit tighter around T+140bp.

Bank of America Merrill Lynch and *JP Morgan* are joint lead managers and bookrunners.

Secondary

There was a strong rally in the most liquid dollar bonds from South Korea as dealers covered shorts after the Bank of Korea implemented a rate cut.

The 2022s of Kexim and KDB, which are often used as proxies for the sovereign credit, rallied 10bp and 7bp to 107bp/102bp and 110bp/105bp, respectively.

One trader in Singapore also said there was some profit-taking on the bonds from the Chinese oil sector, which priced in the past month. Most of them ended some 3bp to 5bp wider in the day. They had, however, staged a strong rally in the past two weeks, so traders viewed this merely as a consolidation instead of a retracement.

Otherwise, CDS moved slightly wider, and the Asia iTraxx IG Series 19 index closed 1bp wider at 99bp/101bp.

DEALS PRICED THIS WEEK

Hutchison Whampoa – Baa2/BBB/BBB, €1.75bn, Jr. Perp, 3.75%
KNOOC – A1/A+/A+, US\$630m, 5-yr, T+145
YuexiuREIT – Baa2/BBB, US\$350m, 5-yr, T+245

PIPELINE

- }] State Grid Corp – HSBC, GS, MS, BoCI, ICBC, JPM, Citi, DB, UBS
- }] HKEX – DB, HSBC, UBS
- }] Pertamina – Barc, Citi, RBS
- }] Golden Eagle – Citi, HSBC, BofA Merrill, JPM, MS, BNPP, DB, GS, Nomura
- }] CRCC – Citi, HSBC, MS
- }] Poly Property – BoCI, Citi, DB, ICBC, RBS, UBS
- }] CIMC – UBS, StanChart, ANZ, BofA Merrill, HSBC, ING, JPM
- }] Bhakti Investama – DB
- }] Want Want China – BofA Merrill, JPM
- }] Rolta India – Barc, Citi, DB, DBS
- }] REI Agro – CS, DBS, UBS
- }] SoftBank – BofA Merrill, Barclays, CA-CIB, Mizuho, MS, Nomura
- }] Future Land – BofA Merrill, DB
- }] KCC – DB, JPM
- }] South Korea – Citi, DB, GS, HSBC, KDB, Woori