

Battersea developer joins record loan binge

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Malaysian companies converting London's Battersea Power Station into a luxury apartment complex with sale prices as high as US\$50 million (RM161 million) are part of a record syndicated-loan rush by borrowers from the Asian nation.

A consortium led by SP Setia Bhd and Sime Darby Bhd is seeking as much as 2 billion pounds (RM10.9 billion) from local and international banks to renovate the derelict site on the River Thames. Borrowers led by SapuraKencana Petroleum Bhd raised US\$7.2 billion of syndicated loans this year, more than tripling from a year earlier and the busiest start since Bloomberg began tracking the data in 2002.

"The Malaysian loan market has been growing because of increasing outbound acquisitions," Bryan Liew, the Singapore-based head of Southeast Asia loan syndications at Standard Chartered Plc, said in an April 14, 2014 interview. "There are a few blockbuster issues such as SapuraKencana's loan which can sustainably provide volume growth."

Foreign acquisitions by Malaysian-based companies since Dec 31, 2013 reached the highest for any similar period since 2010 amid favorable borrowing conditions for dollar-denominated debt. Average margins for Asean loans in the currency during the period were 69 basis points lower than for the whole of 2013, while yields for top-rated five-year ringgit bonds rose this month to the highest since July 2010.

Pink Floyd

SP Setia, Malaysia's biggest publicly traded property developer by sales, and Sime Darby asked banks to submit pitches for Battersea by the end of this month for a facility of up to 10 years, two people familiar with the matter said on April 9, 2014. They bought the site from liquidators in July 2012, with each taking a 40% stake. Employees Provident Fund, Malaysia's biggest pension fund, held the remainder.

The consortium detailed plans to develop homes, offices and shops whose value it estimates at 8 billion pounds on the south London building, which adorned Pink

Floyd's 1977 "Animals" album cover. The power station with four iconic 103-meter-high chimneys has remained vacant since closing in 1983.

SapuraKencana, Malaysia's largest oil and gas services company, has been among the nation's most acquisitive borrowers. It bought part of Seadrill Ltd's business for US\$2.9 billion last year to become the world's largest operator of tender rigs, the support platforms for drilling rigs. In February 2014, it completed an US\$898 million purchase of Texas-based Newfield Exploration Co's stakes in offshore Malaysian fields.

Biggest Loan

SapuraKencana signed a US\$4.8 billion syndicated loan in March to help pay for the purchases, Bloomberg-compiled data show. It's the biggest deal in the Asia-Pacific region outside Japan this year, and helped push Asean first-quarter loan volumes to a record US\$22.6 billion, the data show.

"Malaysian companies are more confident of expanding overseas because of the accessibility to the dollar loan market and the current attractive pricing resulting from the healthy supply of capital, both locally and overseas," Seohan Soo, the head of debt capital markets at Kuala Lumpur-based AmInvestment Bank Bhd said in an April 15, 2014 interview. "Their solid credit profile also enables them to get loans at cheaper cost compared to some of their counterparts in the region."

Malaysia's outbound acquisition volumes rose to US\$1.4 billion this year from US\$1.2 billion in the same period in 2013, according to data compiled by Bloomberg. Companies signed about US\$4.8 billion of acquisition loans in 2013, up from US\$4.4 billion in 2012, the data show.

Rate Increase

Southeast Asia's third-largest economy grew at the fastest pace in four quarters in the three months ended December as a recovery in advanced nations including the US boosted demand for the country's goods. The central bank has held the benchmark rate at 3% since May 2011, with twelve of 17 economists surveyed by Bloomberg predicting an increase of at least 25 basis points this year.

"We expect credit demand to remain healthy and loan growth to pick up, underpinned by the progress of long-gestation projects under various economic programs," said Wendy Ting, the head of corporate banking at RHB Bank Bhd.

Prime minister Najib Razak unveiled a plan in 2010 to attract US\$444 billion of local and foreign private sector-led investment in Malaysia by the end of this decade. Foreign direct investment into the country climbed more than 24% in 2013 to a record RM38.8 billion from a year earlier, government data showed.

Malaysia's ringgit has climbed 0.5% this year, the seventh best-performing currency in Asia.

Oil, Infrastructure

Average loan-to-deposit ratios range from 85% to 90%, allowing institutions to expand net loans, according to RHB's Ting. Apart from acquisitions, capital intensive oil and gas industries as well as infrastructure projects will be drivers of Malaysia's loan market this year, she said.

MISC Bhd, the world's second-largest shipper of liquefied natural gas, has approached its relationship banks for a self-arranged US\$700 million seven-year term loan to refinance debt, people familiar with the matter said April 9, 2014.

"Corporate loans have been growing at about 11% annually in the past five years in Malaysia," AmInvestment Bank's Soo said. "The pace should continue this year, driven by refinancing, acquisitions and project funding."

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