

BUSINESS

7 listed firms extend debenture maturity

PO placement shifts to retail investors

PUBLISHED : 4 JUN 2020 AT 04:00

NEWSPAPER SECTION: [BUSINESS](#)WRITER: [DARANA CHUDASRI](#)

1



0



Seven listed companies have extended their debenture maturity dates by 6-24 months during the Covid-19 pandemic as weak sales caused a liquidity crunch among businesses.

This excludes Thai Airways International Plc (THAI), whose issued debentures have defaulted because the company entered the business rehabilitation process as part of bankruptcy.

Some of the companies that have extended the maturity date have been struggling with the economic slowdown since last year, with the Covid-19 pandemic dealing a heavy blow to business operations.

The seven listed firms facing a liquidity crunch are divided into five SET-listed firms and two listed on the Market for Alternative Investment (MAI). The two on the MAI are Asia Capital Group Plc (ACAP) and JSP Property Plc (JSP). The others are Apex Development Plc (APEX), Chai Watana Tannery Group Plc (CWT), Mida Assets Plc (MIDA), PP Prime Plc (PPPM) and Precious Shipping Plc (PSL).

PSL, a major shipping company, cannot operate its business and the pandemic has aggravated the situation through a downgrade of company's credit rating and senior unsecured issue rating, effectively making the company ineligible for the Bank of Thailand's Corporate Bond Stabilisation Fund (BSF).

Amid risks that many corporations will experience a liquidity shortage, the central bank agreed to set up the 400-billion-baht BSF to provide bridge financing to high-quality firms with bonds maturing during 2020-21.

The fund is a preemptive move to prevent the impact of the coronavirus pandemic affecting financial stability.

instruments are favoured by high net worth investors who are more sophisticated.

To manage liquidity during this turbulence, arranging a meeting to discuss with bondholders extension of the maturity date or finding ways to survive are ideal choices. However, the creditors must ensure the company will commit to paying its liabilities.

The company must offer a higher interest rate of 0.5-2% depending on the company's credit, the risk and the extension period, to compensate for the higher risks shouldered by creditors and investors.

Some creditors have approved extensions with conditions such as repayment of a partial amount and/or requiring additional collateral for the approval of the extension.

"The total value of debentures seeking maturity extension periods is just 0.17% of the total outstanding amount of corporate bonds," said Ariya Tiranaprakit, senior executive vice-president at the Thai Bond Market Association.

The portion excludes THAI which, she said, is a special case.

"There is no impact (from the THAI debentures). Many issuing debentures are fully booked swiftly. A debenture series issued by Berli Jucker (BJC), placed for offering on May 28, is an example. Plenty of investors are also interested in investing in debentures to be issued by Charoen Pokphand Foods Plc (CPF) early this month," said Ms Ariya.

PUBLIC OFFERING PLACEMENT

From January to May, two sectors reported higher funding from debentures. The commerce business raised funds from debenture issuance worth 38 billion baht, up 23% year-on-year, while the construction and materials business raised funds from debentures worth 30.6 billion, up 60% year-on-year.

Ms Ariya said large corporates started to place debentures for public offering (PO) again. BJC and CPF are prime examples of this, while Siam Cement Plc seems to be the only company that has maintained placing its PO of debentures for a group of the same investors for decades.

"High-quality debenture issuers are turning to PO placement because

institutional investors, is declining, she said.

For many years, retail investors and PO placement have been neglected as such offering has a more complex process that takes a longer time to distribute the securities, while there was higher yield-hunting demand from institutional investors.

Ms Ariya said in the future corporate bond issuers should have a strategy to build loyalty among their individual bondholders, which helps companies create their own individual investment base and prevents concerns over whether the company's debentures will be purchased in full.

Somnuk Boonyai, managing director of the Federation of Savings and Credit Cooperatives of Thailand Ltd, said the outstanding value of saving cooperatives investment in debentures is not much compared with total assets worth around 150 billion baht.

"Savings cooperatives have not been investing in bonds much during the past 1-2 years," he said. "Their bond investment has been only those issues with investment grades."

The Cooperatives Act of 1999 is being revised and this includes the definition of the term "cooperative money", which is currently under the interpretation of the Council of State. The definition of "percentage of assets" or "percentage of owners" will affect the proportion of cooperatives' investment in different types of assets.

If a cooperative's money is equivalent to assets, the investment limit could be decreased because of the size of assets. But if such money is equity, which is smaller in size, the investment portion in each asset type could be put in another portion.



1



0

Keywords

[debentures](#)[company](#)[investment](#)[investors](#)

Do you like the content of this article?  0  1

 [COMMENT](#)