

4Q18 and 2018

Asia-Pacific

DISTRESSED LOAN TRADES

This is an excerpt - please email n.brooks@debtwire.com to request the full report.

Debtwire Asia-Pacific

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Indian distressed loan trading accounts for 90.8% of APAC volume in 2018

Debtwire's 4Q18 and 2018 APAC ex-Japan distressed-loan-trading report is a summary of secondary transactions in troubled corporate loans and sales of non-performing-loan (NPL) portfolios during the last quarter and entire last year. The deals recorded in this report are sourced from Debtwire proprietary articles and aggregated from other sources.

The total volume of APAC ex-Japan distressed debt trades in 2018 that are recorded in this report grew to USD 4bn face value, following an already heavy year of dealing in 2017, when recorded volumes totaled USD 2.3bn. In terms of the total number of trades, Debtwire recorded 55 transactions in 2018 versus 48 in the previous year.

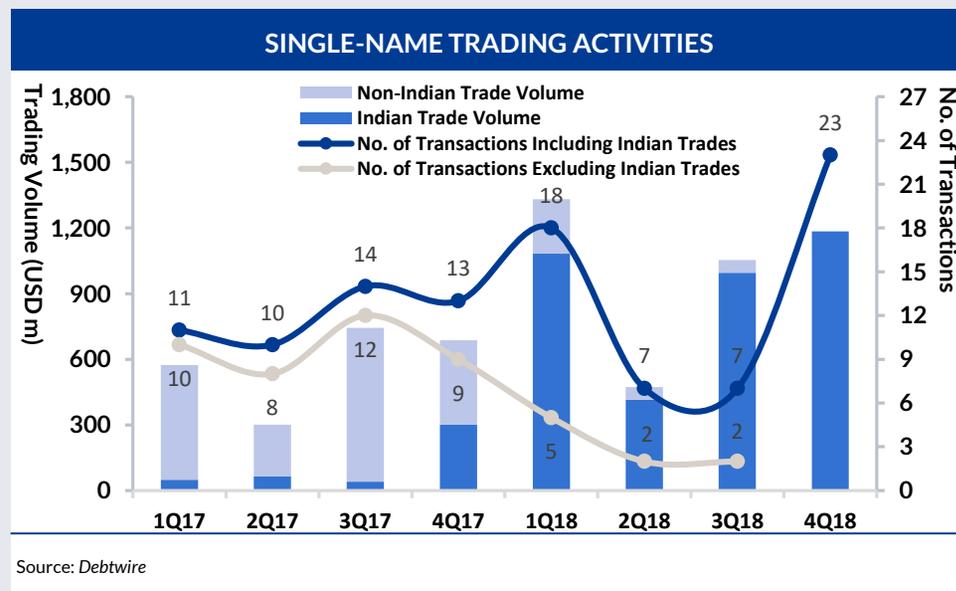
Indian surge

Indian loans dominated trading in 2018, accounting for around 90.8%, or USD 3.7bn, of the USD 4bn face value total last year and 46 of the 55 transactions. The face value trading in sub-continent assets increased 705% YoY. In 2017 – a year dominated by trading in Hong Kong's **Noble Group*** – Indian volume accounted for about 19.8%, or USD 456.8m, of the USD 2.3bn distressed loans traded.

The sharp rise in Indian trading volumes is a feedthrough from the deluge of debt-restructuring activity that hit the market after the Reserve Bank of India (RBI) pushed some of the country's largest corporate defaulters – the so-called "dirty dozen" – into the then-nascent bankruptcy process in mid-2017. Since then, India's insolvency regime has become a fountain of distressed-loan-trading opportunities, because banks are forced to provision 50% for their exposure to bankrupted debtors.

From merely USD 40m face in 3Q17, recorded trades in Indian distressed loans has been above USD 300m in every subsequent quarters. Volume peaked in 4Q18, with USD 1.2bn dealt, narrowly beating 1Q, when USD 1.1bn was traded ahead of the financial year end and soon after the RBI deadline for another 28 companies to be referred for bankruptcy unless they reached an out of court resolution.

This trend is reflected in Debtwire's [4Q18/2018 APAC Restructuring Advisory Report](#), showing that even though there were fewer new workout situations in India in 2018, the country remained the biggest restructuring market in Asia. Out of the USD 159.4bn debt



*Trading in Noble Group debt totaled USD 892.5m in 2017, accounting for 39% of the USD 2.3bn volume of recorded APAC distressed loans dealt in 2017.

that generated mandates in Asia Pacific (including Japan) in 2018, India accounted for 50.4% of the total, compared with 38.9% of the USD 195.5bn debt total in 2017. (Click [here](#) for Debtwire's 4Q/2018 advisory mandates report)

Broker dealers

Among the top five dealer desks/brokers in 2018, Cantor Fitzgerald had the most trades by number, at 10, though BofA-Merrill Lynch (BAML) had far more by volume, at USD 1.2bn. Cantor Fitzgerald was also the most active in 4Q18, when it crossed six trades with a total face value of USD 406m. BAML was also active in 4Q18, participating in five transactions with a face value of USD 391m.

TOP 2018 DEALERS/BROKERS		
Dealer	No. of Trades	Trading Volume(USD m)
Cantor Fitzgerald	10	640
BAML	9	1,153
DB	6	607
SC Lowy	5	500

Source: Debtwire

SSG Capital-backed Assets Care & Reconstruction Enterprise Ltd (ACRE) stood out as the largest official buyer of loans by volume, picking up USD 678m over eight trades in 2018. Indian special asset investors JM Financial Asset Reconstruction Company Limited came second and Edelweiss came in third. For the ARCs, the actual amount of exposure is almost certainly much less than that since international distressed debt buyers generally sub-participate through Indian asset management companies for tax reasons.

Essar Steel India – with a pre-restructured USD 6.8bn – was the most actively traded name in 2018, with USD 791.1m of its loans changing hands across seven transactions, compared with USD 205m in 2017.

Distressed Indian iron-castings maker **Jayaswal Neco Industries** was the most heavily traded credit in 4Q18, with USD 391m of its loans changing hands across four transactions.

In December, [ACRE was the buyer of record for Bank of India's USD 240m loan exposures to Bhushan Power & Steel at around 35 cents on the dollar](#), which was the largest single-name transaction in 4Q. The largest trade in 2018 was the [Oaktree, BAML and Edelweiss Financial consortium's purchase of GTL Infra INR 42bn \(USD 595.62m\) syndicated loans](#) at 57 cents on 28 August.

Click here for the [3Q18](#) distressed-loan trades report.

Click here for the [2017](#) distressed-loan trades report.

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