Hidili bondholder committee expects at least 90% NPV recovery from equity swap portion, to enter RSA in next few weeks

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The holder steering committee for Hidili Industry International Development's USD 182.8m outstanding, 8.625% due-2015 notes expects an at least about 90% net-present-value (NPV) recovery of the claims at maturity for the proposed debt-to-equity swap, and more than par of those claims inclusive of fees and post default interest, said three holders citing the committee's legal adviser.

The advisor, Latham & Watkins, made the comments during a call yesterday late afternoon (4 May) Hong Kong time, saying the assumed NPV figure is as of the effective date and based on a 20% discount rate, said the holders.

Latham said it expects the steering committee to enter into a restructuring support agreement (RSA) with the Hong Kong-listed listed coal miner "in the next few weeks," although it said the revised 31 July restructuring effective date Hidili announced last Friday (30 April) is "extremely ambitious", according to the holders.

The 30 April announcement largely reiterated an original proposal announced on 13 July 2020, revising only the timeline, including the effective date from originally 31 December 2020, and the names of the fees, though the amounts and triggers were unchanged.

Despite the steering committee having signed a restructuring term sheet in July 2020, the offshore deal progressed slowly since then because of the delays in finalizing the terms for onshore creditors owing to legal and regulatory formalities, the adviser said, according to the holders.

Under the bond restructuring terms, the bulk of the recovery would come from swapping the principal and final scheduled semi-annual coupon on the due November 2015 notes into a 34% fully diluted stake in Hidili. Bondholders have the option of parking their shares into a special purpose vehicle that will sell them collectively within three years either at the HKD 0.631 swap price to third-party investors or at a 10% discount to Hidili, at its option, according to the announced plan.

Bondholders that sign the planned RSA by a still-to-be determined deadline date will share a cash pool equivalent to 1% of the total claims at maturity, while all holders who sign will share an additional 0.25% pool, according to the announcement last Friday.

The post-default interest, which was calculated as 3% per annum, is to be swapped into amortizing zero-coupon bonds due November 2022.

The debt restructuring will be implemented via concurrent scheme of arrangements in Hong Kong and the Cayman Islands, said the holders.

PROPRIETARY

Asia-Pacific

China

Issuer

Hidili Industry International Development Limited

Debt Provider(S)

China Cinda Asset Management Co., Ltd.
China Everbright Bank Co., Ltd.
China Merchants Bank Co., Ltd.
China Minsheng Banking Corporation Limited
Ping An Bank Co., Ltd.
Wing Lung Bank Limited

Financial Advisor(S)

RSM

Restructuring Advisor(S)

UBS AG

Restructuring Counsel(S)

Skadden Arps Slate Meagher & Flom LLP
Walkers Global

Unsecured Bondholder(S)

Roche & Owen Associates (Pte) Ltd
Triada Capital

Unsecured Bondholder Counsel(S)

Latham & Watkins LLP

Recovery

Hidili has largely obtained the required regulatory and creditor approvals for its onshore restructuring, which is a condition precedent for the USD-note restructuring, and is close to finalizing documentation, said the holders citing the call.

Under the onshore preliminary restructuring framework announced in April 2020, lenders China Minsheng Banking Corp, Ping An Bank Co, China Merchants Bank, Panzhihua Commercial Bank Ltd and China Cinda Assets Management Co are to convert their CNY 5.867bn outstanding principal loans into minimum-five-year new loans with an initial interest of 3% for the first three years post conversion and then stepping up to 4.275%.

Hidili is to pay down half of the principal over the five years, and then resolve the remainder by 4 February 2025 through further negotiations. The CNY 1.05bn outstanding interest on the onshore loans from the date of default to 31 December 2018 is to be converted into new Hidili listco shares.

Unusually for a cross-border Chinese restructuring involving offshore bonds, the negotiations were tripartite, comprising management, the Triada Capital-led offshore-bondholder ad hoc group and the onshore lenders, noted the holders. As reported, the path has been bumpy, including disputes over the treatment of post-default interest, Chairman Xian Yang backtracking from an agreement and the protracted onshore approval process.

Exchanging onshore debt into offshore equity is new in China, which needed approval from the regulators and all the five onshore bank lenders, Latham said during the call, according to the holders.

Hidili's bonds were indicated in the 20s this morning, according to a dealer.

The company is being advised by UBS and Skadden, Arps, Slate, Meagher & Flom. RSM Corporate Advisory (Hong Kong) is acting as an independent restructuring adviser for the company at the behest of the bondholder committee.

Latham and Triada declined to comment.

by Terence Wong