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TTI may shine again with Boustead's help

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COULD cash-rich Boustead Singapore be the saviour of once high-flying trading firm TTI International? In a move which surprised some market watchers, Boustead emerged as a "white knight" to rescue troubled TTI's stalled flagship Big Box project.

TTI had pumped in some \$95 million into this mega warehouse-cum-retail complex next to Jurong East MRT Station. However, client payment defaults amid the 2008/09 financial crisis left the company teetering with huge debts, inventory write-downs and impairment losses. After initial works to construct the basement on this 56,000 square metre plot, work on this ambitious project stalled. Now Boustead has come in, pledging to pump in some \$150 million to build an eight-storey 125,000 sq m gross floor area warehouse-cum-retail complex.

Led by the husband-and-wife team of executive chairman Sng Sze Hiang and executive director Julia Tong, TTI built up an impressive portfolio as a global trader of mainly electronic products. In particular, it had built up its Akira brand into a household name. In 2008, prior to the financial meltdown, the company posted \$5.6 million profit on revenue of \$876 million. Its NTA was \$185 million.

But to finance its rapid expansion overseas, the company took on significant syndicated bank loans from the likes of BNP Paribas, Rabobank, DBS Bank, KBC Bank and OCBC in 2006. To further fund the rapid expansion, it also launched a \$250 million multi-currency medium term note (MTN) programme through DBS Bank in early 2008. Mr Sng and Ms Tong gave personal guarantees to the company's lenders.

By October 2008, the financial crisis hit and the company was faced with non-payment by clients. It defaulted on some of the MTN. Banks started pulling back TTI's credit facilities, including some \$83 million which was cancelled or frozen in 2009. By end-2009, the

company was facing some \$600 million in claims. Financial adviser nTan Corporate Advisory and legal firm WongPartnership, who were appointed to assess the damage, proposed a scheme of arrangement to manage the debts and impose a moratorium on any immediate action against TTI. Meanwhile, Mr Sng and Ms Tong sought court protection against personal bankruptcy.

In March this year, the High Court approved a scheme of arrangement allowing the company to conduct a Reverse Dutch Auction on nearly \$90 million of the debt, whereby creditors would take an 85 per cent haircut. Another \$450 million are to be converted to zero-coupon convertible bonds, subject to staggered conversion. Most creditors have approved the scheme, with the exception of OCBC and building firm Ho Lee Construction.

This restructuring is aimed at lifting TTI's balance sheet to a positive NTA position of some \$7.6 million by year-end, from a negative equity position of \$67.4 million. What is more critical is how Boustead's entry has now set the stage for TTI to claw back into the black and continue on the road to a sustainable recovery. The mainboard-listed engineering giant has an uncanny knack for picking winners. Perhaps it sees something in TTI which investors have yet to pick up on. The importance of Big Box for TTI cannot be overstated. Serving a captive market of some 2 million residents in the Jurong East Gateway region, Big Box will be the biggest installation of its kind on this part of the island.

With potential tenants for hypermarkets, warehouses, various retail outlets and offices already coming forward, yields could be in the region of 10-15 per cent, by some estimates. Total cost of development is estimated to be some \$247 million. But on completion in 18 months, it is expected to be worth double that.

TTI will retain a 40 per cent stake in the project, and will also be the master lessee of this huge asset. The project will trigger

positive cashflow for TTI, enabling it to achieve profitability again, and help it pay down its huge debt.

Not bad for a company whose ability to remain a going concern was in doubt just a year ago. But while most creditors supported TTI's

scheme of arrangement, investors need to take note that it still has a long road to full recovery and a critical factor would be the outcome of the appeal lodged in the courts by OCBC and Ho Lee Construction against the High Court-sanctioned scheme.