

Lianhe Global on Bloomberg News

(October 22, 2018 Bloomberg News) Surging offshore bond sales from Chinese borrowers are prompting another rating firm from the country to start assessing such securities.

Lianhe Ratings Global Ltd., an affiliate of the nation's second-biggest ratings company, is focusing on local government financing vehicles and real estate developers at the start of its expansion, Chief Executive Officer Stan Ho said in an interview in Hong Kong. LGFVs, which help build the nation's towns and cities, have increased dollar offerings amid lingering perceptions of state support.

Chinese rating firms have increasingly been looking to expand overseas as the nation's companies lead Asian dollar bond sales. Chinese credit assessors must gain acceptance from investors used to international peers including Moody's Investors Service and S&P Global Ratings, and push back against perceptions that their ratings have been too lenient.

The increasing clout of Chinese issuers overseas, along with the major role that the nation's arrangers and investors now play offshore, means that now is a good time to expand, Ho said.

Chinese Dominance

Despite a tougher year, Chinese companies still account for more than 63 percent of the \$213 billion dollar bond issuance from the Asia-ex Japan region.

And LGFVs are one area of likely growth. Lianhe Global's expansion will initially focus on the existing issuer base of its parent and sister companies in China. China Lianhe Credit Rating rates more than 1,000 LGFVs at home, though only a handful of them have tapped the offshore bond market.

Lianhe Ratings Global currently has nine staff, with six on the rating analytics side, said Ho. It plans to hire one more senior analyst and another to focus on investor development by the end of this year.

The rating firm will also focus on industrials, financial institutions and structured finance as it seeks to expand overseas.

In the longer run, it aims to rate firms from Hong Kong and Singapore.

(Extract From Bloomberg)

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