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Ezra warns it may take \$240m write-down



The Lewek Constellation (above), Emas Chiyoda Subsea's flagship vessel. Ezra owns 40 per cent of Emas Chiyoda Subsea and had invested and lent US\$170 million (S\$240 million) to the company, which does engineering and construction for oil and gas projects. PHOTO: EZRA HOLDINGS

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Offshore oil services firm is reviewing options to restructure businesses and balance sheet

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Offshore oil services firm Ezra Holdings has warned that it may have to take a US\$170 million (S\$240 million) write-down over its exposure to the ill-fated joint venture Emas Chiyoda Subsea.

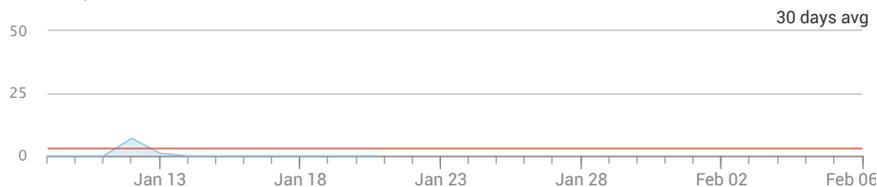
Ezra also said yesterday that it is reviewing all options to restructure its "businesses, operations and balance sheet". This is necessary to avoid a going-concern issue as the oil sector downturn challenges the viability of its massive, highly-leveraged but loss-making business.

Ezra owns 40 per cent of Emas Chiyoda Subsea. It had invested and lent US\$170 million to the company, which does engineering and construction for oil and gas projects.

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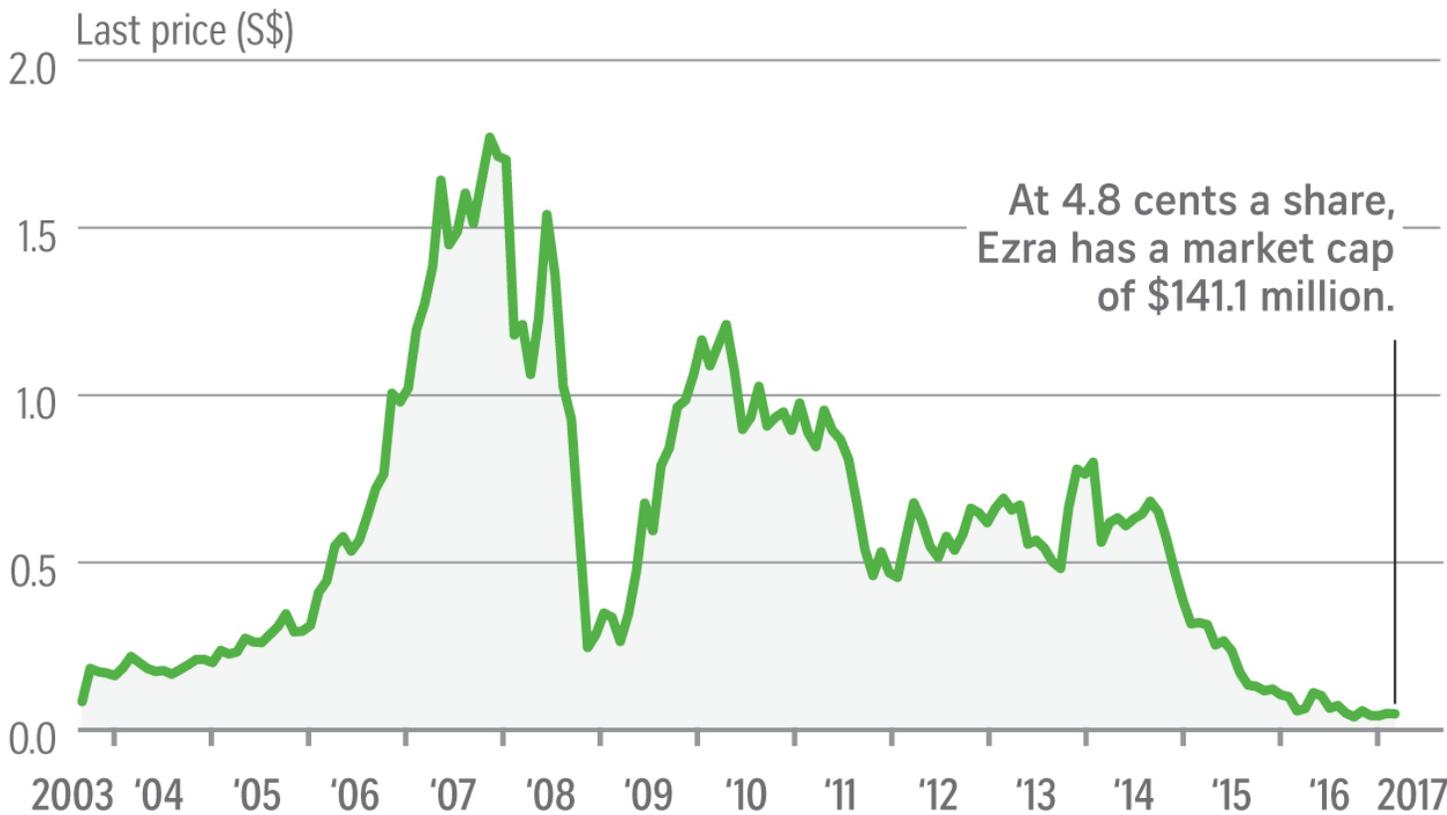
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"The full amount may have to be written down after the company's assessment," Ezra said in a Singapore Exchange filing yesterday.

An Ezra spokesman also pointed out yesterday that the firm had already recognised a US\$181.3 million loss relating to the joint venture in the quarter ended May 31 last year.

Ezra: share price since IPO



Source: BLOOMBERG STRAITS TIMES GRAPHICS

Ezra's statement comes three days after its two Japanese partners shocked the market with combined write-downs of \$637 million relating to Emas Chiyoda just months after entering the joint venture.

Ezra reported a net current liability position of US\$887.2 million as at Aug 31 last year. It is also due to pay holders of its \$150 million notes a \$3.66 million coupon in April.

CIMB analyst Jessalynn Chen noted on Thursday that DBS Bank would be the "hardest hit" in the event that the Ezra group goes into liquidation.

"The banks will have to recognise their exposures as non-performing loans and make adequate provisions for the unrecoverable amounts," she said.

"We estimate that DBS has the largest exposure to the Ezra group of companies at \$637 million, followed by OCBC at \$300 million and UOB at \$166 million."

Banks do not disclose their lending exposure to individual clients, so Ms Chen's numbers involve some guesswork and assume that the debt of each company in the Ezra group, such as Emas Offshore and Triyards, is equally split among its key bankers.

Ms Chen added: "DBS' larger exposure is mainly due to its lending to Emas Chiyoda Subsea, given that it was the co-lead arranger for the loan facility for Emas Chiyoda's main vessel, the Lewek Constellation."

UOB shares slid 25 cents or 1.21 per cent to \$20.38 yesterday, DBS fell 12 cents or 0.64 per cent to \$18.66 and OCBC slipped three cents or 0.32 per cent to \$9.42.

Ezra, which last traded at 4.8 cents on Wednesday, has requested that its trading halt be lifted on Monday at 8.30am.

 Ezra: share price since IPO