Noble Group shares surge 46% on reports of credit facility extension

Stock hits as high as 48 Singapore cents in brisk trading, before closing the day at 47.5 cents

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SHARES in Noble Group surged on Monday on news reports that the commodity trader has been granted an extension till October of a US$2 billion credit facility that was due to expire this week.

The stock jumped at the opening bell and spiked to as high as 48 Singapore cents before ending the day at 47.5 cents. The gain of 46 per cent, or 15 cents, was its largest one-day jump in percentage terms on record.

The counter was also heavily traded, with 64.2 million shares changing hands, making it the second most active stock on the Singapore Exchange.

Noble's banks have agreed to give the group till October to sell assets or find a strategic investor to recapitalise the company, according to various news agencies.

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But they have also tightened the terms of the facility in return for the four-month extension, according to a Financial Times report.

An option being considered is a limit on how much Noble can transfer cash from its US operations to other businesses. The group will also be required to keep the banks updated on its search for a strategic investor or other options. The banks will then consider a further extension if Noble makes progress.

Jean-Francois Lambert, formerly head of commodity trade finance at HSBC and now a consultant, said the decision by the banks was a "very pragmatic one".

"They're giving a bit of breathing space to the company. They're not adding any money," he told The Business Times. "If there is any development then they will be able to take stock of this development and decide what will be their next move."

The decision also shows that there is hope for Noble, he added.

"The situation from now is pretty fluid - there is no real certainty. In that respect to maintain the lifeline of the company as the banks did is a good thing."

Noble Group has received interest from potential buyers for its US-focused oil business, FT earlier reported.

Adding to the negative sentiment around the group is a lawsuit by former chief executive Yusuf Alireza against founder Richard Elman, claiming that the latter owes him shares in the group. Mr Alireza, who left Noble in May 2016, filed the suit in Hong Kong seeking at least HK$450 million (S$80 million) in shares.

According to the court document, Mr Alireza had approached Mr Elman in early May last year, raising "concerns over the future viability" of the group. Mr Elman gave Mr Alireza six months' notice of termination that same month, citing irreconcilable differences on how the company should be run in future.