Chinese clothing conglomerate Shandong Ruyi has failed to secure financing for its $600 million acquisition of Swiss luxury brand Bally, more than two years after the deal was announced, according to four people with direct knowledge of the matter.

The group, whose financing woes have been exacerbated by the outbreak of the coronavirus in China, agreed to buy a controlling stake in Bally from Luxembourg-based JAB Holding in February 2018, without disclosing financial details.
The people all declined to be named as the information is confidential. Ruyi and JAB declined to comment.

Responding to a Reuters request for comment, a Bally spokeswoman confirmed that the sale to Shandong Ruyi had not been completed to date.

“Bally is fortunate to continue to have the support of our sole shareholder JAB, a privately held conglomerate with a strong investment-grade rating,” she said in an emailed statement. “Bally has developed a solid relationship with JAB over more than a decade, based on trust and transparency. Our financial position remains robust.”

Ruyi, based in eastern China, has harboured ambitions to establish a global fashion empire to challenge LVMH, and has spent billions of dollars to buy a range of European luxury brands and Asian labels, including French fashion house SMCP and Britain’s Aquascutum.

But since late last year, it has been facing increasing refinancing pressure of the debt it took on for these deals and almost missed a Dec.19 deadline to repay distressed offshore bonds.

Ruyi’s financing troubles have worsened since the coronavirus outbreak in January, which has infected more than 80,000 people in the country, claimed over 3,000 lives and forced businesses to shut down or operate at reduced hours.

SMCP, which owns clothing brands Maje, Sandro and Claudie Pierlot, said on Feb. 25 its sales and profitability in China were significantly affected by the epidemic.

Israeli menswear group Bagir said on Feb. 20 it was preparing to sue Ruyi for failing to settle payment for a controlling stake in the firm. Ruyi agreed to pay $16.5 million for the stake but is still over $10 million short. It said last week it was negotiating with Bagir to resolve the problem.

Tokyo-based clothing group Renown told Nikkei this week it had suffered consecutive annual losses because it could not collect 5.3 billion yen ($49 million) in outstanding debts from parent Ruyi.

Portugal’s Calvelex, which supplies Aquascutum with tailoring for raincoats, jackets, coats, skirts and trousers, filed a lawsuit against the Chinese group in Hong Kong on Jan. 17, its Chief Executive Cesar Araujo told Reuters. He said Ruyi had stopped paying bills in March last year and owes it around 182,000 euros.

A spokesman for Ruyi said the issues with Renown and Calvelex were mainly due to the “severe impact” from the outbreak and that the company was resolving them.

Credit-rating firm Moody’s downgraded its corporate family rating to Caa1 from B3 on Dec.11 and changed its outlook to negative, citing concerns over its heightened refinancing risk given its large upcoming debt maturities.

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