

CMBI Credit Commentary

Fixed Income Daily Market Update 固定收益部市场日报

- *New issue KOB COP'28 narrowed 5bps to T+105bps. TMT sector widened 2-5bps. Low-beta CKHH, HKAA widened 1-3bps. LGFV were overall better buying. China AT1 and SOE Perps were actively traded with two-way balanced.*
- *BOCAVI: Fair value for new 10-yr at 175-180bps. See below.*
- *VEDLN: VRL cut USD2.9bn debts in 14 months, debt reduction target of USD4bn on track. VEDLN'26 down 1pt and other VEDLNs up 0.5 to 1.25pts this morning. See below.*

❖ Trading desk comments 交易台市场观点

Asia IG space closed wider with light flows yesterday. There is no new issue on Monday and recent issued CKHH closed 1-2bps wider. In financial sector, AMC space was under better buying on HRINTH and CCAMCL short-end. China T2/leasing were weak and flows skewed to selling on BOCAVI, ICBCIL, BCHINA. While Asian non-China T2 were overall under better buying, mainly on UOBSP, OCBCSP. TMT benchmark TENCNT/BABA widened 1-2bps, XIAOMI/LENOVO were c4bps wider. Chinese IG developers like VNKRL/LNGFOR/YUEXIU changed -0.75 to +0.25pt but HY property names were weak, dragged by DALWAN/SINOCE. DALWANs slumped another 1-7pts on the back of allegations of inflated operating results despite the report of successful extension of the loan prepayment date to 30 Nov'23 from 8 May'23. SINOCEs retreated another 0.25 to 3pts despite the company had denied the rumours on plans to set up onshore creditors' committee. COGARDS were down 0.5 to 3pts and AGILE down 0.25 to 0.5pt. Macau gaming was mixed. SANLTD overall edged 0.25 to 1pt higher while others were down 0.25 to 1.5pts. Indian names VEDLNs and RPVINs closed 0.25pt to 1pt lower. Indonesian names MEDCIJs/INDYIJs changed -0.25 to 0.25pt.

For LGFV/Perp/Asia AT1 spaces, flows on LGFV were active and skewed to better buying on mid-5% names. We saw small profit taking from RM and HF on high-beta/ high-yielding names. That said, the buying front remained very supportive. Short-end names JNHTE, QDHTCO and SHDOIS 24s slightly rose 0.1 to 0.25pt. In Perps, SOE names were small better offered by Chinese AM and prop desks at low-5% yield, whilst some RM and HF turned eyes onto POE Perps that provided 7%+ yield. AT1s were largely stable with activities mostly in Chinese names CINDBK and ICBCAS, European names HSBC, STANLN and UBS weakened slightly.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
ROADKG 6.7 09/30/24	91.7	2.5	DALWAN 11 01/20/25	59.3	-7.0
ZHLGHD 9 3/4 12/31/23	18.5	2.4	DALWAN 11 02/13/26	56.5	-5.8
HAOHUA 5 1/8 03/14/28	98.4	1.6	DALWAN 7 1/4 01/29/24	70.0	-3.1
BNKEA 4 7/8 04/22/32	90.2	1.5	SINOCE 3 1/4 05/05/26	28.5	-3.0
GZHRCB 5.9 PERP	96.2	1.5	COGARD 5 5/8 01/14/30	44.8	-2.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.09%), Dow (+0.20%) and Nasdaq (-0.29%) were mixed yesterday with energy sector outperformed. China latest Mar'23 urban unemployment rate was 5.3%, down from 5.6% in Feb. Crude oil price rose 1.3%/1.1% for Brent/WTI oil to USD82.7/78.8 per barrel. The U.S. treasury yield overall edged up yesterday, 2/5/10/30 yields rose to 4.12%/3.60%/3.52%/3.73%, respectively.

❖ Desk analyst comments 分析员市场观点

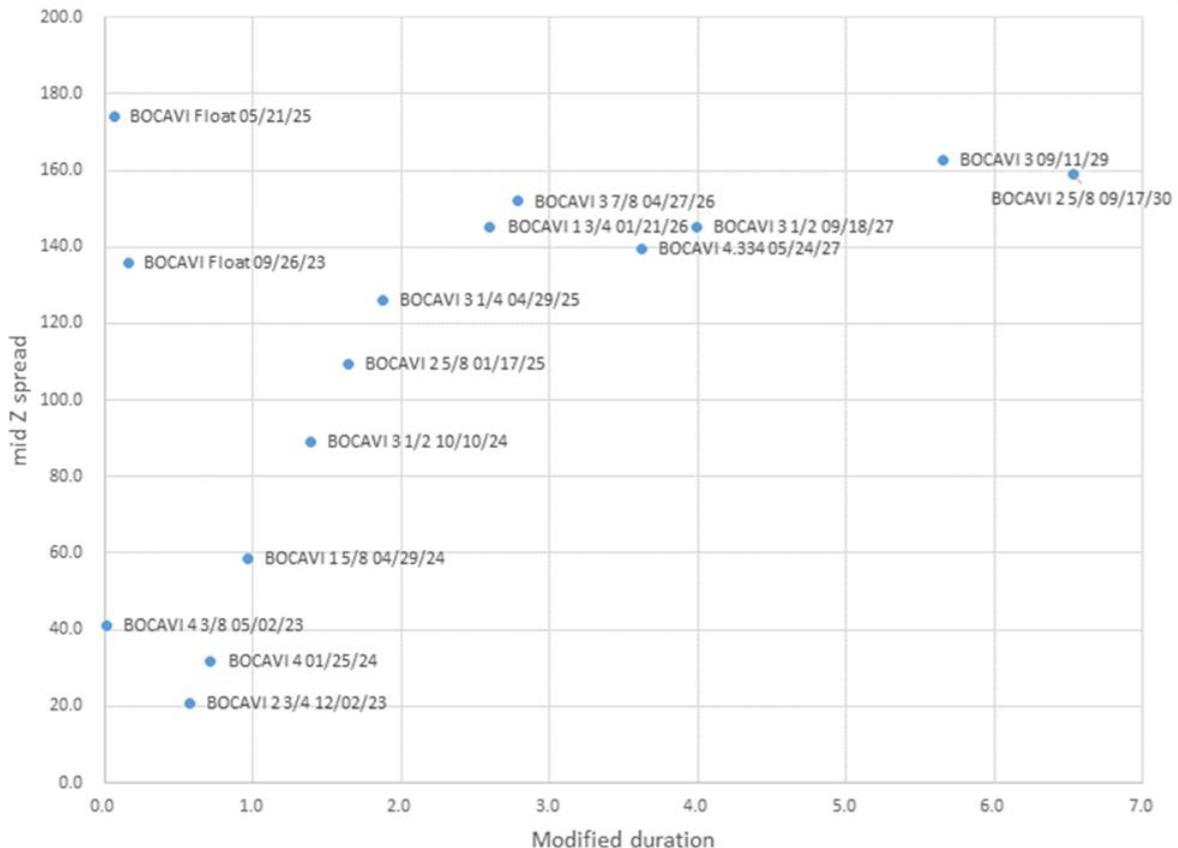
➤ **BOCAVI: Fair value for 10-yr at 175-180bps**

Summary of the new issue:-

- Issuers: BOC Aviation (USA) Corp.
- Guarantor: BOC Aviation Ltd.
- Guarantor rating: A-/stable by S&P and Fitch
- Expected size: USD500-700mn
- Tenor: 10 year
- Ranking: Senior unsecured
- IPT: T+195bps
- UOP: Capex, refinancing and general corporate purposes

BOCAVI (rated A-/stable by S&P and Fitch) is an Asia-based aircraft leasing company with well-established operating track records and geographic diversified operations. It was established in 1993 with 29 years of unbroken profitable operations throughout economic cycles. It has a fleet of 427 aircrafts (392 owned and 35 managed) with an orderbook of 206. The fleet is young with an average age 4.4 years. Its aircrafts are leased to 84 airlines and 39 countries. The average remaining lease life is 8.1 years and 96% of its leases by net book value are on fixed rate basis. In FY22, its lease rate factor was 9.2% compared with cost of debts of 3.1%, the lease payment collection rate is 101%. These support high Income and cash flow visibility. BOCAVI is 70% indirectly owned by BOC which is a major lender of BOCAVI. In FY22, the borrowings from BOC accounted for 10% of BOCAVI's total debts.

On a RV basis, we consider fair value of new 10-yr BOCAVI to be T+175-180bps, factoring the mid Z spread of BOCAVI 2 5/8 09/17/30 at 160bps and 20bps pick up over BOCAVI 3 1/2 09/18/27 for 3 years extension.



Source: Bloomberg.

➤ **VEDLN: VRL cut USD2.9bn debts in 14 months, debt reduction target of USD4bn on track**

Vedanta Resources (VRL) has paid its maturing loans and bonds due in Apr'23. As of 24 Apr'23, VRL has USD6.8bn total debt outstanding, decrease from USD9.7bn at Mar'22. The company plans to cut its debts by USD4bn in 3 years as announced in Feb'22, it has achieved USD2.9bn out of the USD4bn target in 14 months.

The USD bonds were issued at VRL holdco level, its subsidiary Vedanta Ltd (VEDL) is also working on external financing to upstream cash to VRL as well as to repay the upcoming dues at its own level. It tried to sell its zinc business to its non-wholly owned subsidiary Hindustan Zinc (HZL) to cash out USD2.98bn but the deal faced opposition from Indian government which owns a 29.5% stake in HZL. HZL is exploring alternative way to buy the zinc assets from Vedanta Ltd. While the deal is still uncertain, Vedanta Ltd is working on other external financing apart from assets disposal: non-convertible debentures issuance plan up to INR21bn (cUSD256mn) on 13 Apr; and also obtained INR15bn (USD183mn) term loan in 20 Apr with 2.44% stake in HZL pledged.

The target to cut another USD1.1bn by 2025 looks achievable. We are not too concerned with short-dated papers VEDLN 7.125'23 and VEDLN 13.875'24. VRL could still rely on the dividend to be upstreamed from Vedanta Ltd to meet the short-term obligations. Vedanta Ltd is committed to pay minimum 30% of attributable PAT of the company as dividend. However, we have more cautious view over the longer-term. We note that its EBITDA and margins were lower than those of 9M22, reflected the moderating commodity prices. The moderating commodity prices could affect VEDL's dividend contribution to VRL. Besides, there are more lumpy debt maturities in 2H24-26s with no concrete refinancing plan. For VEDLNs, we prefer short-dated and secured VEDLNs such as VEDLN 23s, secured VEDLN'24 and 25.

Bond	Amount o/s	Ask price	YTM (%)
VEDLN 7.125 05/31/23	USD500mn	96.8	26.9
VEDLN 13.875 01/21/24	USD1,000mn	86.9	40.6
VEDLN 6.125 08/09/24	USD950.9mn	69.2	35.4
VEDLN 8.95 03/11/25	USD1,200mn	71.5	38.6
VEDLN 9.25 04/23/26	USD600mn	65.2	29.8
Total	USD4,250.9mn		

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	Issue Rating (M/S/F)
Korea Ocean Business Corp	300	5yr	4.5%	T+110	Aa2/-/AA-

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
BOC Aviation	USD	-	10yr	T+195	-/A-/A-
State Bank of India	USD	-	5yr	-	-/BBB-/BBB-

➤ News and market color

- Regarding onshore primary issuances, there were 167 credit bonds issued yesterday with an amount of RMB168bn. As for Month-to-date, 1,601 credit bonds were issued with a total amount of RMB1,643bn raised, representing a 37.2% yoy increase
- 11 stated-owned insurance companies invest in an equity fund Jiuzhou Qi Hang with aggregate investment of cRMB34bn. Investors include China Life, CPIC, China Taiping, PICC, China Merchants Life Insurance, and the insurance arms of stated-owned banks ICBC, CCB, ABC, BOC, BOCOM, and Postal Saving Bank
- **[AZUPOE]** Media reported that Azure Power seeks at least through May to publish delayed FY22 audited financials
- **[CHIWIN]** Concord New Energy plans to redeem and cancel USD90mn CHIWIN 10.75 09/24/23 on 26 Apr'23
- **[EVERRE]** Evergrande to purchase 47 existing health, living projects from China Evergrande New Energy Vehicle for RMB2 as part of restructuring
- **[HPDLF]** S&P affirmed Hopson Development's B rating and revised outlook to stable from negative
- **[MONMIN]** Moody's assigned Mongolian Mining's proposed USD senior unsecured bonds at B3
- **[SINOCE]** Media reported Sino-Ocean intends to pay on time 26 April, 5 May offshore bond coupons; it completed redemption of RMB2bn onshore notes
- **[VNKRL]** China Vanke raised RMB2bn via domestic 3yr-MTN with 3.11% coupon

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