

CMBI Credit Commentary

Diversification idea: Buy CHIGRA ahead of its 1Q2021

CHIGRA '22 88.5 21%

We see CHIGRA as an improving fundamental credit, with a refinancing story. Recovering China auto sales in 2021 will likely help its sales and margin. We also see likelihood of its successful refinancing of onshore bonds in Apr – Sep 21 to tighten its USD bond spread. Overall we view CHIGRA '22 ~YTM 21% offers good risk-reward, even without closing of Shenergy's stake acquisition.

Robust China auto sales data from various auto OEMs is positive to CHIGRA's operating performance. For first two months of 2021, key auto OEMs we track show an average sales volume growth of 65% yoy, recovering to 84% of 2019 pre-covid level. We expect this holds well for CHIGRA's 2021Q1 performance.

For its puttable bonds in Jan 2021, CHIGRA achieved a low put ratio of 15%. Of the recent RMB 1.4 billion puttable bonds, only RMB 208 million was put back to the company and CHIGRA managed to resell RMB 100 million to other investors, according to its 18 Feb announcement.

With that, we continue to view CHIGRA has good onshore market access, which will help its refinancing work in April – September 2021. CHIGRA will face RMB 3.87 billion bullet maturities (Onshore bonds of RMB3.3 billion and USD bond of USD 88 million) [See Appendix]

We estimate CHIGRA managed to mildly deleverage in 2020, thanks to improved inventory management. We estimate the company's operating cash flow for 2020 to be marginally lower than 2019's RMB 7 billion. The company reported cash balance of RMB19.7 billion as of 3Q2020.

CHIGRA has executed a good refinancing plan in 2020, living up to most its previous guidance in 2020.

Polly Ng 吴宝玲

(852) 3657 6234
pollyng@cmbi.com.hk

Wilson Lu 路伟同

(852) 3761 8918
wilsonlu@cmbi.com.hk

James Wen 温展俊

(852) 3757 6291
jameswen@cmbi.com.hk

During 2020, CHIGRA did not call back its CHGRAU 5.625% perp on 30 Oct, but the company smoothly refinanced/extended its other bullet maturities. In particular, CHIGRA upsized its syndicated loan to RMB 1.9 billion led by HSBC/Hang Seng Bank/Bank of Shanghai in Dec 2020. This syndicated loan has a term of 18 months post drawdown, according to its 16 Dec announcement. This will be longer-dated than CHIGRA '22.

Evergrande's stake sale of Xinjiang Guanghui to Shenergy is pending Shanghai SASAC's approval.

Per our communication with CHIGRA's management, an approval from Shanghai SASAC is the next hurdle to proceed Evergrande's 40.964% stake sale of Xinjiang Guanghui to Shenergy.

Risk factor: continual share price weakness that hurts Guanghui's share pledge financing; China Grand Auto has announced share repurchase plan of RMB 200m – RMB 300m for employee incentive plan.

Appendix

China Grand Automotive (CHIGRA, 600297.SS)						
<i>in millions, unless otherwise stated</i>		2020/12/31 RMB	Rate (%)	Maturity	Put-table Date	Note
Loans and Other Borrowings		45,349				
Onshore Corporate Bonds						
101800176.IB	18广汇汽车MTN001	600	7.39	2021-04-19		
012002830.IB	20广汇汽车SCP001	500	7.1	2021-05-11		issued 2020-08-13
012003594.IB	20广汇汽车SCP002	400	7.1	2021-07-17		issued 2020-10-20
143363.SH	18广汇G1	700	7.3	2021-08-08		
101801090.IB	18广汇汽车MTN002	434	7.3	2021-09-19	2020-09-21	
143817.SH	18广汇G2	164	7.3	2021-09-20	2020-09-21	
155080.SH	18汽车G3	500	7.2	2021-12-20	2020-12-21	
101900154.IB	19广汇汽车MTN001	192	7.2	2022-01-28	2021-01-28	
155144.SH	19汽车01	1,000	7.5	2022-01-29	2021-01-29	
155710.SH	19汽车02	1,000	7.1	2022-09-25	2021-09-27	
163261.SH	20汽车G1	945	7.5	2023-03-27	2022-03-27	
175303.SH	20广汇G2	550	7	2023-10-30		issued 2020-10-30
163663.SH	20汽车01	1,000	7.4	2023-11-26	2022-11-26	issued 2020-11-24
110072.SH	广汇转债	3,370	0.2	2026-08-18		issued 2020-08-18
Total Onshore Corporate Bonds		11,355				
Offshore Corporate Bond						
g19102501.SG	广汇汽车 8.885% N20210725	569	8.885	2021-07-25		
9VFB.SG	广汇汽车 8.625%	1,734	8.625	2022-04-08		
Total Offshore Corporate Bonds		2,303				
Perpetuals	CHGRAU 5.625% Perp	2,600				
Total Debt Including Perpetuals		61,607				
Less: Unrestricted Cash		(9,833)				
Net Debt		51,774				
Liquidity:						
Cash and Cash Equivalent		19,666				Cash as of 30 Sep 2020
Less: Restricted Cash (Estimated)		(9,833)				
Unrestricted Cash		9,833				

CMB International Securities Limited

Fixed Income Department

Tel: 852 3761 8867/ 852 3657 6291

fis@cmbi.com.hk

CMB International Securities Limited ("CMBIS") is a wholly owned subsidiary of CMB International Capital Corporation Limited (a wholly owned subsidiary of China Merchants Bank)

Important Disclosures

There are risks involved in transacting in any securities. The information contained in this report may not be suitable for the purposes of all investors. CMBIS does not provide individually tailored investment advice. This report has been prepared without regard to the individual investment objectives, financial position or special requirements. Past performance has no indication of future performance, and actual events may differ materially from that which is contained in the report. The value of, and returns from, any investments are uncertain and are not guaranteed and may fluctuate as a result of their dependence on the performance of underlying assets or other variable market factors. CMBIS recommends that investors should independently evaluate particular investments and strategies, and encourages investors to consult with a professional financial advisor in order to make their own investment decisions.

This report or any information contained herein, have been prepared by the CMBIS, solely for the purpose of supplying information to the clients of CMBIS and/or its affiliate(s) to whom it is distributed. This report is not and should not be construed as an offer or solicitation to buy or sell any security or any interest in securities or enter into any transaction. Neither CMBIS nor any of its affiliates, shareholders, agents, consultants, directors, officers or employees shall be liable for any loss, damage or expense whatsoever, whether direct or consequential, incurred in relying on the information contained in this report. Anyone making use of the information contained in this report does so entirely at their own risk.

The information and contents contained in this report are based on the analyses and interpretations of information believed to be publicly available and reliable. CMBIS has exerted every effort in its capacity to ensure, but not to guarantee, their accuracy, completeness, timeliness or correctness. CMBIS provides the information, advices and forecasts on an "AS IS" basis. The information and contents are subject to change without notice. CMBIS may issue other publications having information and/or conclusions different from this report. These publications reflect different assumption, point-of-view and analytical methods when compiling. CMBIS may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report.

CMBIS may have a position, make markets or act as principal or engage in transactions in securities of companies referred to in this report for itself and/or on behalf of its clients from time to time. Investors should assume that CMBIS does or seeks to have investment banking or other business relationships with the companies in this report. As a result, recipients should be aware that CMBIS may have a conflict of interest that could affect the objectivity of this report and CMBIS will not assume any responsibility in respect thereof. This report is for the use of intended recipients only and this publication, may not be reproduced, reprinted, sold, redistributed or published in whole or in part for any purpose without prior written consent of CMBIS.

Additional information on recommended securities is available upon request.

Disclosure:

CMBIS or its affiliate(s) have investment banking relationship with the issuers covered in this report in preceding 12 months.

For recipients of this document in the United Kingdom

This report has been provided only to persons (I) falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended from time to time) ("The Order") or (II) are persons falling within Article 49(2) (a) to (d) ("High Net Worth Companies, Unincorporated Associations, etc.") of the Order, and may not be provided to any other person without the prior written consent of CMBIS.

For recipients of this document in the United States

CMBIS is not a registered broker-dealer in the United States. As a result, CMBIS is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. The research analyst who is primary responsible for the content of this research report is not registered or qualified as a research analyst with the Financial Industry Regulatory Authority ("FINRA"). The analyst is not subject to applicable restrictions under FINRA Rules intended to ensure that the analyst is not affected by potential conflicts of interest that could bear upon the reliability of the research report. This report is intended for distribution in the United States solely to "major US institutional investors", as defined in Rule 15a-6 under the US, Securities Exchange Act of 1934, as amended, and may not be furnished to any other person in the United States. Each major US institutional investor that receives a copy of this report by its acceptance hereof represents and agrees that it shall not distribute or provide this report to any other person. Any U.S. recipient of this report wishing to effect any transaction to buy or sell securities based on the information provided in this report should do so only through a U.S.-registered broker-dealer.

For recipients of this document in Singapore

This report is distributed in Singapore by CMBI (Singapore) Pte. Limited (CMBISG) (Company Regn. No. 201731928D), an Exempt Financial Adviser as defined in the Financial Advisers Act (Cap. 110) of Singapore and regulated by the Monetary Authority of Singapore. CMBISG may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited Investor, Expert Investor or an Institutional Investor, as defined in the Securities and Futures Act (Cap. 289) of Singapore, CMBISG accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact CMBISG at +65 6350 4400 for matters arising from, or in connection with the report.