

CMBI Credit Commentary**Fixed Income Daily Market Update 固定收益部市场日报****The Asset Asian G3 Bond Benchmark Review 2023**

We hope you found our commentaries and ideas helpful. We seek to elevate our efforts and value-add further in the coming year. We highly appreciate your support to us in Sell-Side Analysts of the polls of "[The Asset Asian G3 Bond Benchmark Review 2024](#)". Thank you for your support!

- *Asian IG tightened 5-15bps with two-way flows. ChemChina, CCAMCL and NANYAN were well bid while low-beta IGs were heavy. JP AT1 and RAKUTNs rebounded c0.5-0.75pt. SOE perp and LGFVs remained stable.*
- *Asia ex-JP USD bonds issuance: 7M24 gross issuance increased 28.9% yoy to USD113.1bn. See comments below.*
- *UPLLIN: Falling profitability margins in 1QFY25 with higher net debts. Maintain neutral on UPLLIN 5.25 Perp. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, UST yield tightened 16-28bps overnight following the weaker-than-expected Jul jobs report. Asia IG space had a weak session. The new NWDEVL 8.625 '28 declined another 1.4pts. NWDEVL Perps/27-30s were another 0.8-3.3pts lower after the decline of 0.8-1.7pts on last Fri. HYSAN/NANFUN/CPREIT 27-30s, on the other hand, were 0.5-1.1pts higher. In Chinese IGs, TENCNT/HAOHUA 28s/30s widened 11-21bps. In financials, AGRBK/GTJA/CSFCO Float 27s were 1-2bps wider. In Chinese AMCs, HRINTH/GRWALL 26-30s were 0.1-0.5pt lower (8-40bps wider). CCAMCL/ORIEAS 29-30s were 21-24bps wider. In AT1s, the recent issues such as WOORIB 6.375 Perp/SANTAN 8 Perp were 1.0pt lower. MUFG 8.2 Perp was 1.3pts lower. BACR 9.625 Perp/HSBC 8 Perp/BNP 8 Perp were down 0.6-0.9pt. Chinese properties moved lower. FUTLAN/FTLNHD/SHUION 24-26s dropped 1.1-2.8pts. DALWANS/LNGFORs were 1.2-1.4pts lower. ROADKGs were down 0.8-1.6pts. In industrials, EHICAR 26/27 closed 0.6-1.1pts lower. See our comments on 5 Aug'24. FOSUNI 25-27s closed 0.4-0.9pt lower. WESCHI '26 was down 1.6pts. In Macau gaming, WYNMAC/SANLTD/STCITY 28-30s were 0.6-1.8pts lower. In India, UPLLIN 28/30/Perp dropped another 2.4-3.3pts after falling 1.8-2.3pts on last Fri. See below for comments. VEDLN 26/27/28 were 1.4-2.6pts lower. ADSEZs/ADTINs/ADANEMs and GRNKENS/RPVINs were 0.6-2.1pts lower. SAELLT '31 was down 1.3pts. In Indonesia, MEDCIJs were 0.8-1.5pts lower. See our comments on its 1H24 results on 5 Aug'24.

In LGFVs, there were selling flows in the front-end LGFVs, but the bids remained supportive. CPDEV 25/26/Perp were 0.3-0.5pt lower. CDHIIN '26/GXCMIN '25/CCUDIH '24, on the other hand, were 0.1-0.3pt higher. In SOE perps, CHPWCN 3.45 Perp/CHCOMU 3.65 Perp/HUADIA 3.375 Perp

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were up 0.1pt. In the high beta names, HUANEN '31/HNINTL '30 were 0.2-0.5pt lower. SUNSHG '26 was up 0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
NANFUN 3 5/8 08/27/30	91.8	1.1	NWDEVL 6 1/4 PERP	54.1	-3.3
CPREIT 2.95 06/15/30	86.3	1.0	UPLIN 5 1/4 PERP	69.5	-3.3
INDOIS 3.8 06/23/50	79.2	0.8	NWDEVL 4 1/8 PERP	64.8	-3.0
INDOIS 3.55 06/09/51	75.8	0.7	NWDEVL 5 1/4 PERP	85.3	-2.9
CKINF 4.85 PERP	83.9	0.6	FUTLAN 4.45 07/13/25	79.0	-2.9

❖ Marco News Recap 宏观新闻回顾

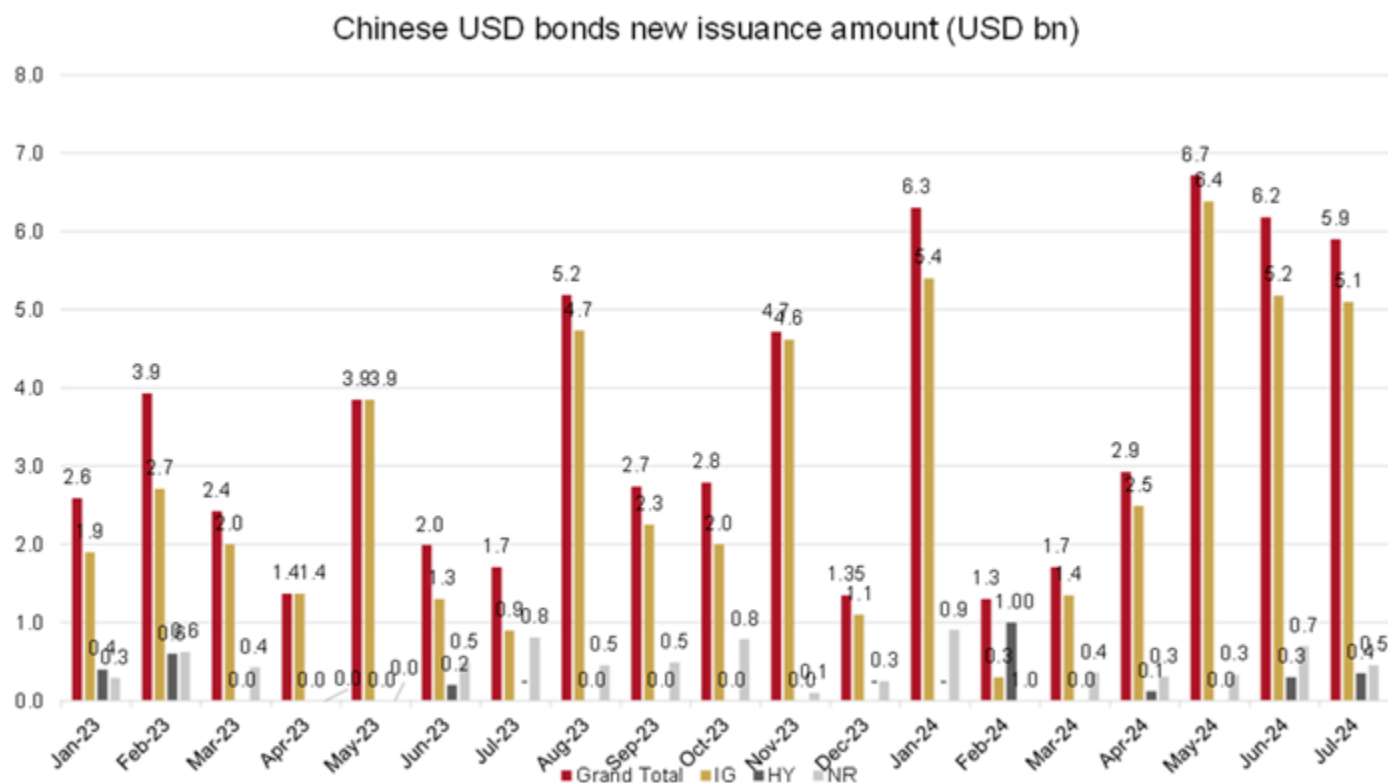
Macro – S&P (-3.00%), Dow (-2.60%) and Nasdaq (-3.43%) retreated on Monday. US Jul'24 Markit service PMI was 55.0, lower than the expectation of 56.0. UST yield movement was mixed yesterday, 2/5/10/30 yield reached 3.89%/3.62%/3.78%/4.06%.

❖ Desk analyst comments 分析员市场观点

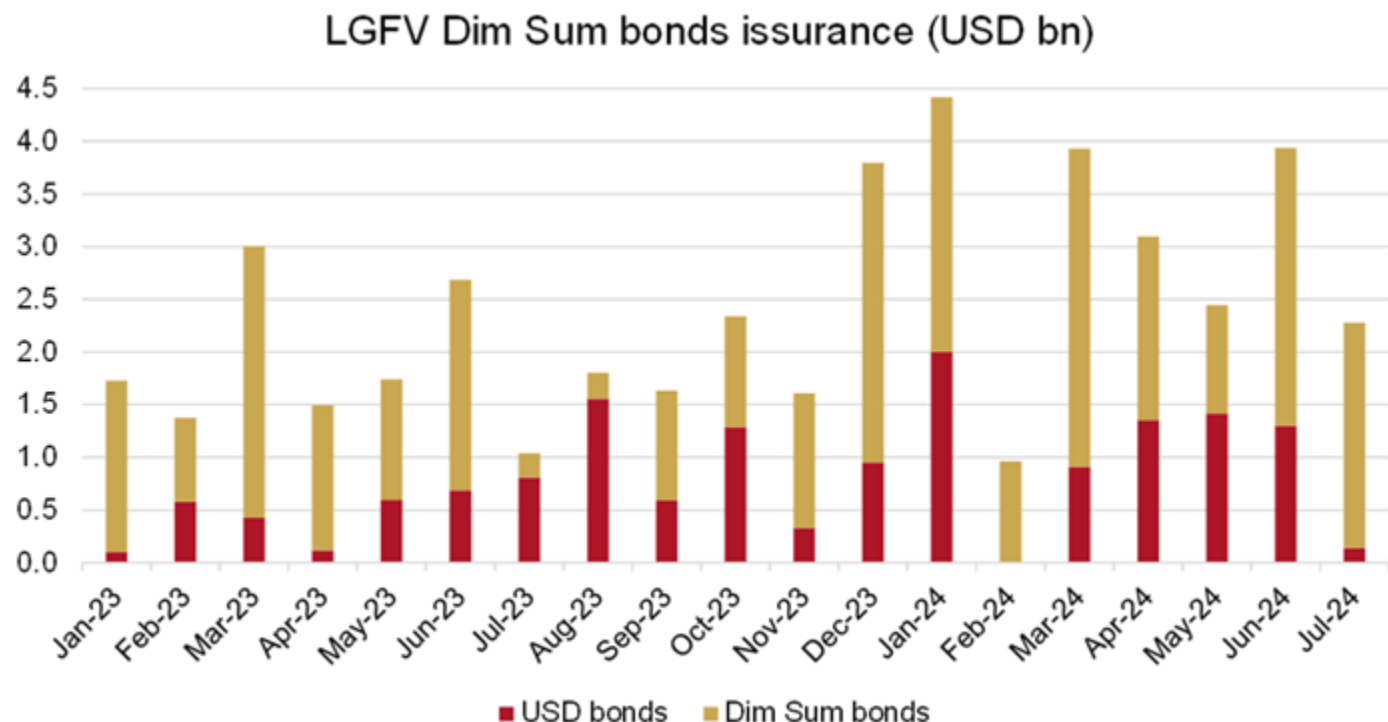
➤ Asia ex-JP USD bonds issuance: 7M24 gross issuance increased 28.9% yoy to USD113.1bn

In Jul'24, the issuance of Asia ex-JP USD bond increased 106.2% yoy to USD12.8bn from USD6.2bn in Jul'23. China (USD5.9bn), South Korea (USD3.1bn), and Hong Kong (USD2.0bn) were the largest issuers. IG bonds contributed 82.0% of the gross issuance in Jul'24. Financial sector remained the largest issuer with issuance amount of USD6.8bn, accounting for 52.7% of total gross issuance of the month. In 7M24, gross issuance of Asia ex-JP USD bonds increased 28.9% yoy to USD113.1bn. South Korea (USD34.3bn), China (USD31.0bn) and Hong Kong (USD8.3bn) were countries/regions with most gross issuances. Financial institutions issued USD72.3bn bonds in 7M24, accounting for 63.9% of gross issuance.

In 7M24, Chinese issuers issued USD bond totaled USD31.0bn, rose 73.7% yoy from USD17.9bn in 7M23. LGFV USD bond issuance increased 150.7% to USD8.3bn from USD3.3bn 7M23 and LGFV Dim Sum bonds issuance increased 43.1% to USD13.9bn in 7M24. In Jul'24, media reported that Chinese government extended the validity of previous supportive measures for LGFVs' debt repayment to Jun'27 from the end of 2024. The new document shows the Chinese government's commitment to support LGFVs and LGFVs from regions with high debt ratios are major beneficiaries. There are USD15.6bn USD LGFV bonds will be matured in the rest of 2024, we expect Dim Sum LGFV bond issuance to remain active given the lower funding cost.



Source: Dealogic.



Source: Bloomberg, Dealogic.

- **UPLIN:** Falling profitability margins in 1QFY25 with higher net debts. Maintain neutral on UPLIN 5.25 Perp

Table 1: UPL's 1Q25 financial highlights

INRbn	1Q24	1Q25	Change
Revenue	89.6	90.7	1%
-Latin America	29.7	26.6	-10%
-Europe	12.6	14.3	13%
-India	20.5	18.7	-9%
-North America	8.7	12.3	42%
-Rest of the world	18.1	18.8	3%
Contribution profit	41.0	35.8	-13%
Contribution margin	45.7%	39.5%	-620bps
EBITDA	15.9	11.5	-28%
EBITDA margin	17.8%	12.6%	-520bps

INRbn	Mar'24	Jun'24	Change
Cash and cash equivalent	62.6	41.5	-34%
Total debts	327.4	359.5	10%
Net debts	264.8	318.0	20%
Net debt/EBITDA	4.2x	6.9x	-
Net working capital days	86	121	-
-Inventory days	108	117	-
-Receivable days	124	135	-
-Payable days	146	131	-

Note: Debts include lease liabilities and USD perps.

Source: Company filling, CMBI Research.

In 1QFY25, UPL's revenue grew only 1% yoy to INR90.7bn. The 16% increase in sales volume was offset by 14% decrease in price. As a result of the pricing pressure, its EBITDA dropped by 28% and EBITDA margin narrowed to 12.6% in 1QFY25. The average cost of debts increased to 7.5%, from 5.5%-6% in 1QFY24. UPL's profitability weakened and working capital cycle lengthened during the quarter in the course of destocking.

As a result of weakened operating cash flow, UPL's net debt increased to INR318bn at Jun'24, and the cash and cash equivalent further declined to INR41.5bn. Its net debt/EBITDA increased to 6.9x at Jun'24 from 4.2x at Mar'24, as per our estimates. UPL guided revenue growth of 4-8% yoy and EBITDA growth of 50% yoy, driven by gradual recovery in crop protection demand and cost optimization. UPL also plans to reduce total debts by USD300-400mn in FY25 with cash flow generated from operations.

Meanwhile, UPL said it is evaluating different financing options including monetizing some of its platforms. Per media report in Apr'24, UPL plans to spin off its 86.7%-owned seeds business, Advanta, for listing at a valuation of USD4bn in FY25, and UPL intends to sell a 10%-12% stake in Advanta to deleverage. Based on the targeted valuation of USD4bn and 10%-12% of stake sales, the IPO of Advanta, if successful, could add totaled USD400-480mn to UPL's liquidity. In 1QFY25, Advanta reported 30% decrease in EBITDA to INR25.4bn, as well as lower EBITDA margin of 25.8% from 34.3% in 1QFY24. In our view, the spin-off could help UPL to deleverage and to lessen the refinancing pressure.

We are neutral on UPLINs and our base case is UPLIN 5.25 Perp will not be called on the first call date in view of UPL's weakened liquidity and the falling interest rate environment. The coupon of UPLIN 5.25 Perp will be reset on the first call date in Feb'25 to 5yUST+3.865% from 5.25% with no coupon step-up. Indeed, UPL considers the perp one of the cheaper "debts" in its capital structure. That said, we see UPLIN 5.25 Perp offers the most balanced risk-return profile out of the USD issues of UPL, especially after the perp moved 10-12 pts since releasing weak 2QFY24 results in Feb'24. Given the low cash price, the high cash yield, especially after coupon reset, of UPLIN 5.25 Perp will support its performance. The potential upside will be early redemptions with proceeds from rights issue and/or spin-off. While UPL does not have the timetable for the spin-off, it expects to complete the right issue by mid 4QFY25.

Table 2: Bond profiles of UPLLIN

	Ask px	YTC/YTM (ask, %)	Amt o/s (USDmn)	Issue rating (M/S/F)
UPLLIN 5.25 Perp	70.95	55.9	400	Ba3/B+/-
UPLLIN 4.5 03/08/28	85.58	9.18	300	Ba1/BB/BB
UPLLIN 4.625 06/16/30	80.28	9.03	500	Ba1/BB/BB
Total			1,200	

Source: Bloomberg.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
No Offshore Asia New Issues Priced Today					

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Henan Investment Group Co., Ltd.	USD	-	3yr	-	-/-/A

➤ News and market color

- Regarding onshore primary issuances, there were 67 credit bonds issued yesterday with an amount of RMB62bn. As for Month-to-date, 198 credit bonds were issued with a total amount of RMB208bn raised, representing a 3.2% yoy increase
- [ASRIIJ]** Moody's upgraded Alam Sutera's CFR to B3 with stable outlook
- [EVERRE]** China Evergrande seeks to recover from seven defendants including founder Hui Ka Yan, Ding Yu Mei cUSD 6bn in dividends, remuneration
- [FUTLAN]** Media reported that Seazen Group told some investors that it has set aside funds to redeem on time its USD250mn FUTLAN 6 08/12/24
- [LNGFOR]** Longfor unit schedules payment for RMB2bn 21Longhu05 bonds on 12 Aug'24
- [SUNAC]** Sunac unit's appeal against Zhongrong International Trust cRMB3.4bn funding rejected by court
- [ZZTRAN]** Fitch upgraded Zhangzhou Transportation BBB- with stable outlook

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