

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 2-5bps this morning. AU T2s, China bank floaters and AMCs were under better buying flows. Japan AT1 continued to rebound while KR AT1s were weak. LGFVs were well bid.*
- **CHALUM:** *FV of new 3.5-yr USD bonds to be CT3+105-110bps. See comments below.*
- **VEDLN:** *Higher profitability driven by aluminum and zinc in 1QFY25; lower leverage after QIP. Maintain neutral on VEDLNs. See comments below.*

❖ Trading desk comments 交易台市场观点

Yesterday, the new NWDEVL 8.625 '28 rebounded 1.0pt after declining 1.4pts on Mon. NWDEVL Perp/27-31s were also 0.5-1.8pts higher. In Chinese IGs, HAOHUA/TENCNT 28-30s were 2-5bps tighter. CHALUM launched the new issue mandate of a USD 3.5-yr bond. See below for comments. In financials, Chinese AMCs were traded in mixed two-way flows. HRINTH/GRWALL 28-30s were 6-12bps tighter (unchanged to 0.1pt higher). CCAMCL 29-30s tightened 5-10bps, while CCAMCL '27 widened 3bps. In regional financials, NANYAN 34s tightened 5bps, BNKEA 34s closed 13bps tighter. NAB/MQGAU/WSTP T2s widened 1-6bps. OCB CSP '34/HDFCB '29 widened 2-4bps. AT1s were firm. The recent issues such as WOORIB 6.375 Perp/SANTAN 8 Perp were up 0.3-0.4pt. BACR 9.625 Perp/UBS 9.25 Perp were up 0.1-0.3pt after falling 0.6-0.9pt on Mon. In JP, SUMIBK 6.6 Perp/RAKUTN 5.125 Perp were 0.2-0.4pt higher. In KR, HYNMTRs/LGENSOs widened 2-7bps. Chinese properties moved higher. FUTLAN '25 and FTLNHD 24-26s were 0.4-1.5pts higher following media reported that Seazen Group had set aside funds to redeem FUTLAN 6 08/12/24 due next Mon. SHUION 24/25/26 were 0.6-1.3pts higher. Media reported that Shui On Land was preparing to repay the USD bonds due 24 Aug'24. DALWAN/YLLGSP 26s were 0.5-0.6pt higher. Outside properties, FOSUNI 26/27 were 0.3-0.4pt higher. EHICAR '27 was down 0.4pt. Macau gaming was mixed. MPEL/WYNMAC 27-29s were 0.3-0.5pt higher. SANLTD 30-31s were 0.6-1.0pts lower. In India, VEDLN 26-28s were 0.2-0.3pt higher. See below comments on Vedanta Ltd's 1QFY25 results. ADSEZs/ADANEMs were 0.3-0.6pt higher. UPLLIN 28/30/Perp rose 1.2-1.9pts after falling 2.4-3.3pts on Mon. See our comments on 6 Aug'24. In Indonesia, MEDCIJs were up 0.2-0.4pt after the decline of 0.8-1.5pts on Mon. Elsewhere, GLPSP Perps were 1.3-1.5pts lower.

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In LGFVs, CPDEV 25/26/Perp were 0.1-0.2pt higher. KMLDHM/KMRLGP 25s were up 0.2-0.3pt. CDCOMM/NJYZSO 27s were 0.1-0.2pt lower. In SOE perps, HUADIA 3.375 Perp/SPICPT 3.45 Perp were 0.1-0.2pt higher. CCBINT 3.329 Perp was down 0.1pt. In the high beta names, HUANEN '31/HNINTL '30 were 0.5pt lower. GRPCIN/SUNSHG 26s were up 0.1-0.2pt.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
UPLLIN 5 1/4 PERP	71.4	1.9	TAISEM 4 1/2 04/22/52	96.6	-1.7
NWDEVL 5 1/4 PERP	86.5	1.8	PTTGC 5.2 03/30/52	91.6	-1.6
NWDEVL 4.8 PERP	45.0	1.8	SINOPC 4 1/4 04/24/43	91.9	-1.5
UPLLIN 4 5/8 06/16/30	81.6	1.6	GLPSP 4 1/2 PERP	64.3	-1.5
NWDEVL 6 1/4 PERP	55.0	1.5	GLPSP 4.6 PERP	62.3	-1.3

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.04%), Dow (+0.76%) and Nasdaq (+1.03%) rebounded on Tuesday. China Jul'24 export/import was +7.0%/7.2% yoy compared with the expectation of +9.7%/+3.5% yoy. UST yield rallied higher yesterday, 2/5/10/30 yield reached 3.99%/3.73%/3.90%/4.18%.

❖ Desk analyst comments 分析员市场观点

➤ CHALUM: FV of new 3.5-yr USD bonds to be CT3+105-110bps

Aluminum Corporation of China (Chinalco) proposed to issue 3.5-yr Reg S USD bonds to refinance its offshore debts. We consider the FV of new CHALUM'28 (rated A- by Fitch) to be CT3+105-110bps (YTM of 4.88%-4.93%) vs. IPT of CT3+145 (YTM of 5.28%) in view of its longer tenor compared with CHALUM'27, as well as better issue structure than CHALHK'26.

	CHALHK 2.1 07/28/26	CHALUM 2.95 02/24/27
YTM	4.84	4.72
T-Spread	83	89
Maturity	28 Jul'26	24 Feb'27
Rating (M/S/F)	-/-/A-	-/-/A-
Issuer	Chalco Hong Kong Investment Co. Ltd.	Chinalco Capital Holdings Limited
Guarantor	Chalco (2600.HK), 32.3% owned by Chinalco	Chinalco

Source: Bloomberg.

The new CHALUM'28 will be issued by Chinalco Capital Holdings Limited, a wholly-owned SPV of Chinalco Overseas which, in turn, is 100% owned by Chinalco. Chinalco will provide unconditional and irrevocable guarantee to the new CHALUM'28. Besides, the bonds will have cross-acceleration with debts of Chinalco and Chinalco's principal subsidiaries.

Security Name	ISIN	Amt o/s (USD mn)	Price	YTM/YTC(%)	Z-Spread	Next call date	Coupon step-up	Rating
CHALUM 2 1/8 06/03/26	XS2340059794	800	95.4	4.77	88	5/3/2026	-	-/-/A-
CHALUM 2.95 02/24/27	XS2435557959	600	95.8	4.72	102	1/24/2027	-	-/-/A-
CHALHK 2.1 07/28/26	XS2366272412	500	94.9	4.84	100	6/28/2026	-	-/-/A-
CHALUM 4.1 PERP	XS2051055908	750	99.9	5.38	-10	9/11/2024	300	-/-/BBB+

Source: Bloomberg.

- **VEDLN: Higher profitability driven by aluminum and zinc in 1QFY25; lower leverage after QIP. Maintain neutral on VEDLNs**

Table 1: VEDL's 1Q25 financial highlights

INRbn	1Q24	1Q25	Change
Revenue	333.4	352.4	6%
-Zinc, lead and silver	70.6	78.5	11%
-Zinc International	11.0	7.5	-32%
-Oil and gas	28.6	29.2	2%
-Aluminum	119.1	135.1	13%
-Copper	47.3	47.3	-
-Iron ore	20.4	13.2	-35%
-Power	15.9	16.9	6%
-Others	20.5	24.7	20%
EBITDA	69.8	102.7	47%
EBITDA margin	24%	34%	1000bps
Finance cost	21.1	22.2	5%
Profit after tax	33.1	50.9	54%
Average interest cost	8.7%	10.46%	176bps
FCF pre capex	309.8	437.1	41%

INRbn	Mar'24	Jun'24	Change
Cash and cash equivalent	154.2	166.9	8%
Total debts	717.6	780.2	9%
Net debts	563.4	613.2	9%
Net debt/EBITDA	1.5x	1.5x	-

Source: Company filing.

In 1QFY25, Vedanta Limited (VEDL)'s revenue grew by 6% to INR352.4bn, driven by aluminum and zinc businesses. Overall production costs dropped 20% yoy on the back of cost optimization. Its EBITDA increased 47% to INR102.8bn in 1QFY25, and EBITDA margin improved to 34% from 24% in 1QFY24. Profit after tax boosted 54% to INR50.9bn, and the FCF before capex also increased 41% yoy to INR43.7bn.

VEDL guided revenue and EBITDA targets of USD30bn and USD10bn, respectively, in FY25, to be supported by higher premium aluminum and zinc products. The capex guidance is USD1.9bn for FY25, including USD270mn on oil and gas facility construction in Rajasthan, USD280mn on iron ore capacity expansion in Liberia, as well as cUSD785mn on aluminum capacity expansion in Lanjigarh.

As at Jun'24, VEDL's net debts increased to INR613.2bn as a result of an increase in total debts, partly offset by an increase in cash and cash equivalent from higher FCF. VEDL's net debt/EBITDA was flat at 1.5x at Jun'24 and Mar'24, and the ratio is further down to 1.2x at Jul'24 after counting the INR850bn raised via QIP. Besides, the average interest cost of VEDL increased by 176bps to 10.46% in 1QFY25. VEDL intends to lower the average interest costs to 9% in FY25, as well as to cut interest cost by INR10bn on an annual basis by debt reduction.

VEDL is on track for the demerger plan. It has obtained all the requisite approvals and filed the demerger scheme with National Company Law Tribunal (NCLT). Therefore, VEDL is now in the stage of waiting NCLT's order to conduct shareholders and creditors meeting.

On the other hand, VEDL's parent Vedanta Resources (VRL) plans to reduce debts by USD3bn over the next three years. VRL standalone gross debt reduced to USD5.5bn at Jun'24 from USD5.7bn at Mar'24, after

repayment of USD650mn during 1QFY25. In the remainder of FY25, USD580mn of principal and cUSD420mn of interests will be due, which VRL expects to repay these dues by dividend up-streamed from VEDL and/or refinancing. VEDL paid dividend of INR55.6bn (cUSD663mn) in 1QFY25, VRL should have received INR33bn (cUSD393mn) with 59.32% ownership in VEDL per our estimates.

We maintain neutral on VEDLNs on valuation. The improvement of profitability in VEDL should help to maintain the stability of dividend upstream to VRL, which in turns, ensure the funding stability for VRL to fulfill its debt obligations. We take additional comfort on VEDL and VRL on their good access to different funding channels onshore and offshore. Please also see our comments on demerger progress in [daily on 1 Aug'24](#).

Table 2: Bond profiles of VEDLNs

Bond	ISIN	o/s amt (USDmn)	Ask px	YTM (ask, %)	Issue rating
VEDLN 9.25 04/23/26	US92243XAA90	600	96.99	11.21	Ca/B-/-
VEDLN 13.875 01/21/27	US92243XAD30	470	99.49	14.12	-/B-/-
VEDLN 13.875 12/09/28	US92243XAE13	1,008	98.47	14.39	-/B-/-
VEDLN 13.875 12/09/28	US92241TAM45	894	98.25	14.49	Ca/B-/-
Total		2,972			

Source: Bloomberg.

➤ **Offshore Asia New Issues (Priced)**

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Yancheng High-Tech Zone	85	3yr	5.2%	5.2%	-/-/-

➤ **Offshore Asia New Issues (Pipeline)**

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Chinalco Capital Holdings	USD	-	3.5yr	T+145	-/-/A-
Industrial Bank HK	USD	-	3yr	SOFR+105	-/-/BBB

➤ **News and market color**

- Regarding onshore primary issuances, there were 111 credit bonds issued yesterday with an amount of RMB120bn. As for Month-to-date, 306 credit bonds were issued with a total amount of RMB326bn raised, representing a 61.8% yoy increase
- [CHNAAR]** China Aircraft Leasing Group plans to sell three Airbus planes for undisclosed amount
- [EDU]** New Oriental Education boosted share repurchase plan to USD700mn
- [HYUELE]** Media reported that SK Hynix may get up to USD950mn in US government funding for AI chip plant
- [NAGACL]** S&P affirmed NagaCorp B rating and revised outlook to stable from negative
- [RSMACA]** Red Star Macalline announced that it has proposed up to RMB2.28bn funding

- **[SHUION]** Media reported that Shui On Land prepared to remit funds to repay USD500m SHUION 6.15 08/24/24
- **[VEDLN]** Media reported that Vedanta Resources is in discussion with bondholders and bankers to address cUSD1bn debts which will be matured or refinanced by Dec'25
- **[YUNAEN]** Fitch affirmed Yunnan Energy at BBB with stable outlook
- **[YUNINV]** Yunnan Provincial Investment Holdings Group schedules RMB1bn 22Yuntou MTN001 redemption on 22 Aug'24

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