

CMBI Credit Commentary

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

- *Weakness in high dollar price developers continued from last week. CIFIHG/COGARD down 2-4pt and CHINSC/FUTLAN down 1-1.5pt, while few developers continue to buy back their upcoming maturing USD bonds – CHINSC 03/2022 and CIFIHG 04/2022 notes.*
- **MOLAND:** *debt restructuring plan announced. For every USD 100 existing notes, bondholders will get USD1.7 cash upfront and USD 98.3 extend into 5 tranches of new bonds with maturities of 1-5 year(s). We estimate its recovery value at mid-50 to low 80s. See below.*
- **TBLAIJ:** *TBLA call TBLAIJ'23 at 101.75 subsequent to the conclusion of syndicated loans of USD236mn. We maintain Buy on TBLAIJ'23 despite Moody's recent questionable rating action. See our comments on 9 Feb'22.*

❖ Trading desk comments 交易台市场观点

Last Friday, China HY property space opened firm in early session but turned volatile afterwards. LOGPH curve saw better selling and down 7-11pts though the Company came out to clarify that they have not seen any onshore/offshore default. PWRLNG was skewed to selling and down 6-11pts. SUNAC fell 5-7pts while CHINSC/COGARD closed 3-4pts down for the day. SHIMAO outperformed and up 2-3pts. Other property names like CIFIHG/FUTLAN/KWGPRO plunged around 2pts. In industrial sector, names like WESCHI/EHICAR were impacted and closed 0.5pts down.

IG market stabilized with recovering sentiments, benchmark spread narrowed 3-5bps to close the week. In TMT sector, TENCNT curve continued to trade down and spread widened 4-6bps. SOE benchmark names like HAOHUA was also impacted and spread closed 2-3bps wider.

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➤ Yesterday's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
SHIMAO 4.6 07/13/30	26.3	3.6	PWRLNG 5.95 04/30/25	49.1	-11.6
SHIMAO 3.45 01/11/31	25.9	2.9	PWRLNG 6 1/4 08/10/24	55.1	-11.6
SHIMAO 6 1/8 02/21/24	32.0	2.7	LOGPH 7 PERP	32.0	-11.5
SHIMAO 5.6 07/15/26	28.6	2.6	PWRLNG 4.9 05/13/26	47.7	-11.1
ROADKG 7 PERP	78.0	2.6	LOGPH 5 1/4 02/23/23	39.1	-11.0

➤ Macro News Recap 宏观新闻回顾

Macro – U.S. stocks indexes went up last Friday with escalating geopolitical tensions. President Vladimir Putin issued a new threat to the West, telling the Russian military to put its nuclear forces on alert. The S&P (+2.24%), Nasdaq (+2.24%), and Dow (+2.51%) closed higher. The yield on the benchmark treasury all came up. The 1/5/10/30 yield increased 5/2/1/1bps to 1.13/ 1.86/ 1.97/ 2.29% respectively.

➤ Desk analyst comments 分析员市场观点

➤ **MOLAND - Estimated recovery rate at 57-83%**

Last Fri night, Modern Land announced the debt restructuring plan for the 5 existing USD bonds with a total outstanding amount of cUSD1.3bn. According to the restructuring plan, holders of every USD100 of its existing bonds will get USD1.7 upfront cash repayment and remaining USD98.3 in 5 tranches of new notes/bonds with maturities of 1-5 year(s). In addition, holders get RSA fee of USD0.2 they consent to the restructuring plan on or before 21 Mar'22. The RSA of the plan has already been signed by 37.4% of holders in principal amount and approval threshold for the restructuring will be 75%. This restructuring plan only deals with offshore bonds.

Summary for the debt restructuring plan:

- Upfront cash: 1.7
- New notes/bonds: 98.3, see below for more details
- RSA fee: 0.2
- Approval threshold: 75%
- RSA deadline: 21 Mar'22
- Expected effective date: 31 May'22
- Long stop date: 31 Jul'22

FVs of new notes/bonds to be mid-50 to low 80.

We estimate the FVs of new notes/bonds to be mid-50 to low 80, assuming discount rates of 15-25%, and no cash coupon in 1st year, and only 2% in cash in 2nd year.

FV	15%	20%	25%
Tranche 1	74.52	61.15	50.64
Tranche 2	78.08	64.20	53.18
Tranche 3	81.75	67.23	55.80
Tranche 4	81.75	67.23	55.80
Tranche 5	81.75	67.23	55.80

Summary for new notes/bonds:

	Size (USD mn)	Maturity	Cash coupon	PIK	1st yr	2nd yr	3rd yr on	% of total o/s new bonds
Tranche 1	\$80.00	1yr	7%	9%	cash or PIK	2% cash, rest cash or PIK	all cash	5.5%
Tranche 2	\$180.00	2yr	8%	10%	cash or PIK	2% cash, rest cash or PIK	all cash	12.4%
Tranche 3	\$300.00	3yr	9%	11%	cash or PIK	2% cash, rest cash or PIK	all cash	20.6%
Tranche 4	\$400.00	4yr	9%	11%	cash or PIK	2% cash, rest cash or PIK	all cash	27.5%
Tranche 5	\$494.34	5yr	9%	11%	cash or PIK	2% cash, rest cash or PIK	all cash	34.0%
Total	\$1,454.34							100.0%

Estimated recovery rates for existing bonds are 57-83

We estimate that the recovery rates for its existing bonds to be 57-83%, assuming discount rates of 15-25%. The recovery rate estimates include RSA fee but excluding the unpaid and accrual interests up to the expected restructuring effective date on 31 May'22.

	Upfront cash	RSA fee	15%	Discount rate	20%	25%
NPV	1.7	0.2	82.80	68.43	57.10	

<https://www.cmbi.com/article/6408.html?lang=en>

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

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

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

Issuer	Currency	Size (mn)	Tenor	IPG	Issue Rating (M/S/F)
Hubei United Development	USD	-	3	3.35	-/-
Xinjiang Financial Investment	USD	-	-	-	-/-
Xinjiang Financial Investment	USD	-	-	-	-/-
Qingdao Jiaozhou Bay Development	USD	300	3	3.5	-/-
Yunnan Provincial Investment	USD	-	3	6.75	-/-

➤ **Market conditions and color**

- Regarding onshore primary issuances, there were 31 credit bonds issued yesterday with an amount of RMB25bn. As for Month-to-date, 549 credit bonds were issued with a total amount of RMB784bn raised, representing a 3.9% yoy increase.
- **[CARINC]** CAR Inc's B- ratings affirmed with stable outlook, according to S&P
- **[CIFIHG]** further repurchases RMB 29mn of 6.70% senior notes due April 2022
- **[CHINSC]** further repurchases USD 22mn of 5.875% senior notes due 2022 in open market
- **[EDU]** repurchases total USD 181.187mn of 2.125% bonds due 2025
- **[EVERRE]** selling its interests in four projects to Everbright Trust, Minmetals Trust for RMB 2.13bn
- **[FRETAI]** Reliance Retail Ventures Ltd has extended the long stop date for Future Retail Ltd's composite scheme of arrangement with Reliance Retail from 31 March 2022 to 30 September 2022
- **[FWDGRP]** is reported to file HK IPO listing as early as today
- **[PWRLNG]** purchases USD 5mn of 3.9% senior notes due 2022
- **[CDBLFD]** to buy wind power plant assets in Heilongjiang for RMB 750mn pursuant to finance lease agreement
- **[SOFTBK]** SoftBank's BB+ ratings affirmed on progress in recouping investments despite adversity; outlook stable, according to S&P
- **[VNKRLE]** raises RMB 2bn via offering of three-year MTNs to fund commercial housing projects
- **[YUZHOU]** arranges for remittance of USD 20.640mn to repay interest on 2 of its USD notes (YUZHOU 6'22, and 8.625 '22); its auditor Ernst & Young resigns, and UniTax Prism (HK) CPA was appointed as replacement
- **[ZHPRHK]** says 140m shares held by controlling shareholder transferred to third party upon exercise of security interests

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