

CMBI Credit Commentary

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

- *Market sentiment was firm this morning. New issue HYUCAP'27 was unchanged while HYUCAP'29 tightened c4bps. Other recent new issues ORIEAS, BZLNZ, etc. moved -2 to 2bps. High-yielding LGFVs were under better flows.*
- *VEDLN: USD2bn debt reduction plan in FY25. See below.*
- *EVERRE: Winding-up petition. See below.*

❖ Trading desk comments 交易平台市场观点

Asia IG space had a firm session yesterday. On the new issues, HYUCAP priced a USD500mn 3-yr bond at CT3+110/CT2+89, and USD500mn 5-yr bond at CT5+120. In financials, Chinese AMCs performed strongly amid the reports of Cinda, Orient and Great Wall being merged into CIC. CCAMCLs/ORIEASs were 5-15bps tighter and GRWALL/HRINTH papers were 0.5-3.2pts higher (10-50bps tighter). In Chinese bank T2s, BOCOHK '31 was under better buying and tightened 3-5bps. CINDBK 33s were traded in active two-way flows and closed 2-3bps tighter. In Chinese AT1s, BOCOM 3.8 Perp/ICBCAS 3.58 Perp were up 0.1pt. The high-beta EU AT1s HSBC/SOCGEN/STANLN were around 0.3-0.5pt higher. Meanwhile AU names ANZ 6.75 Perp/WSTP 5 Perp were 0.1-0.2pt higher, despite some loose bonds coming out from PBs. Chinese IG benchmarks HAOHUA/TENCNT 29-30s were unchanged to 1bp tighter. The high beta TMTs MEITUA/LENOVO/WB 30s were 1-5bps tighter. KR space was still better bid. DAESEC/KORELE/WOORIB 27-29s were 2-5bps tighter. In HK Corp space, LASUDE '26 was 5.4pts higher and SHUION 24-25s were up 1.3-1.6pts. NWDEVL/HYSAN Perps closed 0.1-0.5pt higher. Chinese properties moved higher. FUTLAN/FTLNHD 24-26s were 1.7-3.2pts higher. GEMDAL '24/GRNCH '25 were up 1pt. PINGRES/ROADKGs were up 0.5-1pt. On the other hand, CSCHCNs lowered 0.7-0.8pt. In industrials, ANTOIL '25 was up 1.7pts. FOSUNI 26-27s were up 0.3-0.5pt. However, EHICAR '26 was down 0.9pt. Macau gaming names SANLTD/STCITY 25-31s were up 0.3-0.6pt. Indonesian name MDLNIJ '25 was 2pts higher. Elsewhere, GLPCHI 24-26s/GLPSP '25 were up 0.6-1.7pts.

The LGFVs/SOE perps/high-beta IG spaces had a strong session. CPDEV/ZHHFGR 25/Perp were up 0.1-0.2pt. The new LGFV issues SYSTIO/HNFARM 27s were traded firm above par, as the occasional loose bonds that came out for cash raising were very well bid. Shandong names SHGUOH/QDJZWD 25-26s were up 0.1pt. NJYZSO '24/SXUCI '26 were 0.1pt higher. However, KMRLGP '24 closed 0.7pt lower. In SOE perps, CHPWCN 3.45 Perp/CHSCOI 3.4 Perp were up 0.1pt. SUNSHG '26 was

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0.1pt higher. Elsewhere, insurance hybrids were under better buying. ASAMLI 4.1 Perp/AIA 5.1 Perp were around 0.5pt higher.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
LASUDE 5 07/28/26	58.2	5.4	EHICAR 7 09/21/26	78.5	-0.9
FUTLAN 6 08/12/24	69.2	3.2	CITLTD 4 3/4 02/04/36	92.2	-0.8
GRWALL 2 3/8 08/18/30	80.8	3.2	CSCHCN 9 04/12/24	44.5	-0.8
GRWALL 3 7/8 08/31/27	93.5	3.0	CSCHCN 9 06/26/24	44.5	-0.8
FUTLAN 4.45 07/13/25	31.2	2.5	KMRLGP 3.9 12/12/24	92.2	-0.7

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.76%), Dow (+0.59%) and Nasdaq (+1.12%) remained strong on Monday and S&P, Dow reached recorded high level. PBOC provided RMB378bn liquidity to market via reverse repo on Monday, China 10yr treasury yield reached the lowest level of 2.48% since 2002 this morning. UST yields retreated yesterday, 2/5/10/30 yield reached at 4.29%/3.97%/4.08%/4.31%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ VEDLN: USD2bn debt reduction plan in FY25

Vedanta Ltd plans to cut its debt by USD2bn and an operating profit target of USD7-7.5bn in FY25 (Apr'24-Mar'25). As at 31 Dec'23, it had gross debts of INR752.3bn (cUSD9.0bn), net debt of INR624.9bn (cUSD7.5bn), and net debt/EBITDA of 1.7x. The USD2bn debt reduction target will reduce the net debt/EBITDA to c1.3x. While Vedanta Ltd has INR bonds and INR term loans totaled INR128bn (cUSD1.5bn) due in FY25, it may speed up the repayment due in FY26 and beyond to achieve the USD2bn target.

Meanwhile, Vedanta Ltd will provide an update on the sale of its steel assets by the end of FY4Q24 (31 Mar'24), and expect to finalize the sale in Apr-May this year. It entered the steel production businesses via the acquisition of 90% stake in ESL Steel through the insolvency process in 2018 for INR52.3bn (cUSD629mn) in 2018. Vedanta Ltd's ask price was INR105-120bn (cUSD1.3-1.4bn) back in end-2022, per media report. In FY1H24, the EBITDA of Vedanta Ltd and Vedanta Resources were INR188.1bn (cUSD2.3bn) and USD2.5bn, respectively. The sale of ESL helps lower the net debt/EBITDA of Vedanta Ltd and Vedanta Resources to c1.2x and c2.0x, from 1.9x and 2.7x on a pro-forma basis, respectively. The debt reduction plan could be partly funded by the sale of the steel asset, on top of internal cash flow generation. In FY23, Vedanta Ltd. generated operating cash flow of INR330.7bn (cUSD4.0bn).

Recalled that Vedanta Resources completed the consent solicitation earlier this month to extend the maturities of three of its USD bonds by 3-4 years, i.e. namely VEDLN'27-28s after the extensions. After the upfront repayment to be made no later than 7 Feb, the principal amount of the USD bonds outstanding will be reduced to USD3.0bn from USD3.8bn. We turned neutral on VEDLNs given the expectation on moderating commodity prices, yet within the curve, we prefer guaranteed VEDLN 13.875 01/21/27 (i.e. the original VEDLN 13.875 01/21/24) for shorter tenor as well as structural seniority over VEDLN'26. At 94.6, VEDLN 13.875 01/21/27 is

trading at YTM of 16.2%. Furthermore, VEDLN'27-28s retain tenor seniority over VEDLN'26. In case VEDLN 9.25'26 is not refinanced by Dec'25, VEDLN'27-28s will have to be redeemed on 20 Apr'26.

Bond	Amt o/s (USDmn)	Upfront repayment	Amt o/s after upfront repayment (USDmn)	Ask px	Ask YTM (%)
VEDLN 9.25 04/23/26	600	-	600	76.17	23.54
VEDLN 13.875 01/21/27	1,000	530	470	94.62	16.22
VEDLN 13.875 12/09/28	1,200	57	894	86.35	18.23
VEDLN 13.875 12/09/28	950.9	192	1,008	82.90	19.49
	3,750.9	779	2,972		

Source: Bloomberg, Company fillings.

➤ EVERRE: The winding-up order

Yesterday, China Evergrande, the listco and parent company of the group, was ordered by HK high court to be wound up. On the same day, liquidator was appointed. The winding-up order has been made to the parent company only. The onshore operating companies will not be directly affected by the winding-up order.

Taking cues from the winding-up order against Jiayuan and appointment of liquidator only after 5 months of the high court order, we believe that the push-back on the liquidation of Evergrande amongst its offshore creditors is limited, compared with that of Jiayuan. We believe that Evergrande should have 28-day till 26 Feb'24 to submit the "stay of winding-up". However, without significant changes in the restructuring plan and sharp reversal of the attitude of offshore creditors, the chance of "stay of winding-up" being approved by the court will be slim. Interestingly, the judge for the winding-up order for Evergrande is the same as that of Jiayuan.

The next-step will be a liquidator-led debt restructuring. Regarding recovery ratios, we believe that Deloitte's estimates of 2.1-9.3% in Mar'23 offer good gauges though the estimates could be subject to downward adjustments given the decline in asset prices over the past few months.

Class of creditors	Deloitte's estimated recovery rate
Everre's offshore unsecured debts	3.53%
EVERRE offshore bonds	5.92%
SJ offshore bonds	6.49–9.34% (depending on the validity of Keepwell)
Tianji's offshore unsecured debts	2.05%

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Priced	Issue Rating (M/S/F)
Haichuan International Investment	150	3yr	5.45%	5.45%	-/-/-
Hyundai Capital Services	500/500	3/5yr	5.125%/5.125%	T+110/120	Baa1/-/BBB+

➤ Offshore Asia New Issues (Pipeline)

Issuer/Guarantor	Currency	Size (USD mn)	Tenor	Pricing	Issue Rating (M/S/F)
Hong Kong SAR	USD	-	-	-	-/AA+/AA-
Ji'An Chengtong Holding	USD	-	3yr	7.8%	-/-/-
Science City (Guangzhou) Investment Group	USD	-	-	-	-/-/BBB

Vista Land & Lifescapes

USD

-

5NC3

9.125%

-/-/-

➤ News and market color

- Regarding onshore primary issuances, there were 64 credit bonds issued yesterday with an amount of RMB51bn. As for Month-to-date, 1,698 credit bonds were issued with a total amount of RMB1,392bn raised, representing a 49.9% yoy increase
- Media reported that China's CSRC urges investors not to increase exposure to LGFV USD bonds with less than one year tenor
- **[ADANIG]** Adani Green Energy completed funding of reserves for USD750mn Holdco Notes redemption
- **[CAPG]** China Aoyuan announced scheme effective date for China Aoyuan Schemes, Add Hero Schemes occurs on 25 Jan'24
- **[CHIGRA]** Media reported that China Grand Auto remitted funds to trustee to redeem USD231.7mn bonds due 30 Jan'24
- **[GLPSP]** GLP Capital Partners established China Income Fund XII with RMB10bn AUM
- **[JTGFID]** Jiangsu Jintan Guofa International Investment Development proposes to offer RMB800mn corporate bonds
- **[LMRTSP]** Moody's downgraded Lippo Malls Indonesia Retail Trust downgraded to Caa3/Ca and maintained negative outlook
- **[LYCDIN]** Moody's withdrew Linyi City Development Group's Ba1 rating for business reasons

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