

## 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!

- *Light flows this morning. Asian IG space was largely stable. Recent new issue such as BOCAVI'31 tightened 1bps, CATLIF'39/FRESHK'28 were unchanged.*
- *INCLN: Elevated leverage in 1QFY25. Maintain buy on INCLN 4 ½ 04/18/27. See comments below.*
- *NWDEVL: Media reported that China Resources' CR Longdation has made an cHKD9bn offer to purchase New World Development's K11 ART MALL in HK. NWDEVLs rose up to 1.2pts yesterday and were unchanged to 0.2pt higher this morning.*

#### ❖ Trading desk comments 交易台市场观点

Yesterday, the new CATLIF 39s opened 10bps tighter, closed only 7bps tighter from RO (CT10+150) amid PB topping up versus RM/FM profit taking. The old CATLIF 34s widened 2bps. KNBZMK priced the 5-yr and 10-yr bond (both of USD500mn) at CT5+82 and CT10+92, respectively, and the new KNBZMK 29/34 were 2-3bps wider. In KR, LGENSOs widened 2-5bps. KRKPSC 27/29 were also 3-5bps wider. In JP, NIPLIF '53/SUMIBK '43 were 0.4pt higher. In Chinese IGs, HAOHUA '29/SINOCH '31 tightened 1bp. MEITUA 30s tightened 2bps. See our comments on MEITUA's strong 1H24 results on [29 Aug'24](#). In financials, HRINTHs were unchanged to 0.1pt lower (unchanged to 5bps wider). In AT1s, UBS 7 Perp/SOCGEN 8.5 Perp were up 0.1pt. In HK, NWDEVLs were 0.5-1.2pts higher. Media reported CR Longdation, under Chinese Resources Group, had made a cHKD9bn (cUSD1.15bn) offer to New World Development to purchase K11 Art Mall. FAEACO 7.375 Perp was up 0.6pt. HYSAN 4.1 Perp was 0.3pt lower. Fitch downgraded Hysan Development one notch to BBB with a stable outlook. In Chinese properties, LNGFOR '32 was 0.5pt higher. CHJMAO 6 Perp was up 0.2pt. FUTLAN/FTLNHD 24-26s were up 0.2-0.4pt. Outside properties, EHICAR 26/27 declined another 0.2-0.5pt. VNKRL 27/29, on the other hand, were down 0.2-0.4pt. In Macau gaming, MPELs/STICTYs were up 0.1-0.2pt higher. In India, UPLIN 28/30/Perp rose another 0.5-1.3pts and closed 1.0-2.7pts higher WTD. ADSEZs/ADTINs/ADANEMs were up 0.1-0.4pt. In Indonesia, MDLNIJ '27 rebounded 0.5pt. LPKRIJ '26 declined 0.6pt.

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In the high beta names, the new FRESHK 5.875 '28s were traded in mixed two-way flows and closed 6bps wider (0.2pt lower) from RO. TIANFS/GRPCIN 26s were up 0.1pt. In LGFVs, HNYUZI 26/27 were up 0.1pt. SECGRP '25 was 0.1pt higher. In SOE perps, CHPWCN 3.45 Perp/COFCHK 3.1 Perp were up 0.1pt.

#### ❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
UPLLIN 5 1/4 PERP	76.3	1.3	DBJJP 3.665 12/18/43	84.2	-1.0
NWDEVL 4 1/8 PERP	66.2	1.2	DBJJP 3.46 04/23/49	77.4	-0.8
NWDEVL 4.8 PERP	46.0	1.1	DBJJP 3.749 12/18/48	82.4	-0.7
NWDEVL 6 1/4 PERP	56.2	1.0	LPKRIJ 6 3/4 10/31/26	98.0	-0.6
NWDEVL 5 1/4 PERP	87.1	0.9	PLNIJ 4 06/30/50	75.9	-0.6

#### ❖ Marco News Recap 宏观新闻回顾

**Macro** – S&P (-0.00%), Dow (+0.59%) and Nasdaq (-0.23%) were mixed on Thursday. US 2Q24 GDP rose 3.0% yoy, higher than the expectation of +2.8%. The latest US initial jobless claim was +231k, lower than the expectation of +232k. UST yields edged up yesterday, 2/5/10/30 yield reached 3.87%/3.66%/3.87%/4.15%.

#### ❖ Desk analyst comments 分析员市场观点

##### ➤ INCLN: Elevated leverage in 1QFY25. Maintain buy on INCLN 4 ½ 04/18/27

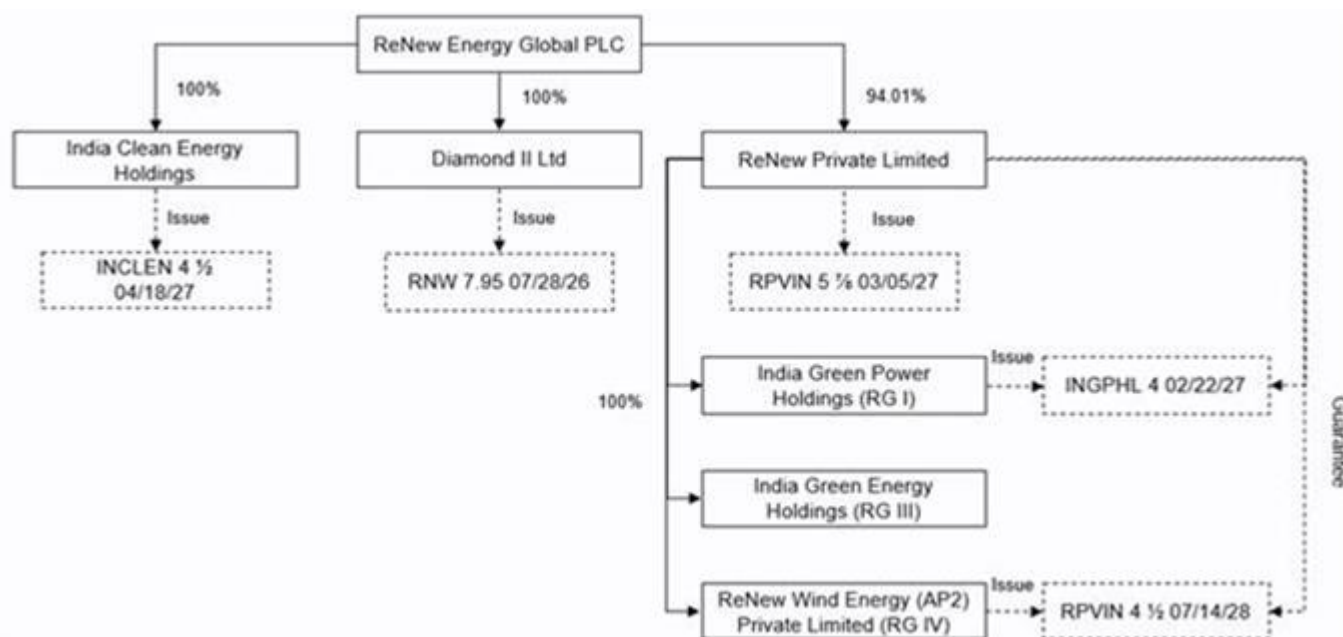
We maintain buy on INCLN 4.5 04/18/27 for its better risk-return profile within the RWN complex given the higher yield and lower cash price of INCLN 4.5 04/18/27. Indeed, all the 5 o/s USD bonds of the RNW complex are rated the same at Ba3/BB by Moody's/Fitch despite the security structures vary. At 93.9, INCLN'27 was traded at YTM of 7.1% and provided 25-47bps yield pick-up over other bonds within the RNW complex.

**Table 1: Bond profiles of ReNew Power**

Bond	Amt (USD mn)	o/s	Mod duration	Px (ask)	YTM (ask, %)	Security structure	Issue rating (M/S/F)
RNW 7.95 07/28/26	525		1.3	101.5	6.82	Holdco Issuance – guaranteed by parent ReNew Energy Global	Ba3/-/BB-
INGPHL 4 02/22/27	429		2.1	94.9	6.60	Restricted Group I	Ba3/-/BB-
RPVIN 5 ¾ 03/05/27	270		2.3	98.2	6.68	Holdco Issuance – secured by SECI II project wind assets	Ba3/-/BB-
INCLN 4 ½ 04/18/27	400		2.4	93.9	7.07	Holdco Issuance – fixed charge of the assets of the issuer India	Ba3/-/BB-
RPVIN 4 ½ 07/14/28	585		3.5	92.8	6.64	Clean Energy Holdings	Ba3/-/BB-
Total	2,209					Restricted Group IV	Ba3/-/BB-

Source: Bloomberg, Company filling.

#### Chart 1: ReNew Energy simplified group structure



Source: Company filling, CMBI Research.

In 1QFY25, RNW's revenue increased 7% yoy to INR22.8tn. The increase in operational capacities to 9.6GW from 8.4GW in 1QFY24 more than offset the lower plant load factors in both wind and solar assets. That said, the late payment surcharge from customer reduced to INR7mn in 1QFY25, from INR855mn in 1QFY24 due to more customers paid on time despite the DSO was to 83 days at Jun'24, increased from 77 days at Mar'24 due to the seasonality of lower first quarter revenue. The lower surcharge, coupled with higher finance costs with higher total debts, led to 46% drop in net profit to INR2.5tn. The average cost of debts was 9.15% in 1QFY25, the same as that of FY24.

During the 1QFY25, RNW's adj EBITDA was INR19bn, equivalent to 23-25% of its FY25 guidance of INR76-82bn. The last twelve-month (LTM) EBITDA was INR70bn. Its cashflow to equity (CFe) was INR9.7bn in 1QFY25, slightly higher than INR9.6bn in 1QFY24. RNW's FY25 CFe target is INR12-14bn, compared with the actual CFe of INR14bn in FY24. The LTM CFe was INR14bn. We believe that RNW is on track to achieve its full year EBITDA and CFe targets.

In 1QFY25, RNW's plant load factor (PLF) for wind power is 28.4%, higher than the average wind energy PLF of 23% in India. However, RNW's weighted average PLF for both wind and solar power decreased yoy in 1QFY25 due to unfavorable weather condition. Nonetheless, RNW expects the PLF of new machines to be at least 10%-15% higher than the existing machines, with higher megawatt and structural configuration. The PLF of newly commissioned wind assets in India could be further increased to 35% with improved technology, per S&P. Going forward, we expect RWN's profit growth to be mainly driven by higher PLF. Indeed, RWN posted higher revenue since FY21 despite the average tariff of its wind power had been static in past three years, while the average tariff of RNW's solar power has been declining since FY20. RNW expects to complete the construction of 1.9-2.4GW by FY25, and to reach gross capacity of 15-16 GWs by the end of FY27 and 19-20 GWs by FY29. The capex budgeted for 6.1GW during FY25-27 of INR180-240bn will be funded with internal cash flow, project debt, asset recycling and cash in hand.

It had cash and cash equivalent of INR73.7bn as of Jun'24, compared with short-term debt of INR109bn. Its net debt increased 27% to INR611.7bn and the net debt/EBITDA edged up to 8.1x from 6.5x at Mar'24. RNW targets to reduce the net debt/EBITDA ratio to 5.6-5.8x in FY29 and further down to 5.2-5.4x in FY30 through gradual debt reduction and increase in EBITDA as new projects will be coming on stream.

RNW has 3 USD bonds totaled USD1.1bn to be due in 2027 and another 1 USD bond of USD585mn will be due in 2028. We take comfort with its good access to various funding channels. In Aug'24, RNW tapped USD125mn of RNW 7.95 07/28/26 to repay debts; and in Jan'24, RNW early redeemed INGREN 5.375 04/29/24 of USD325mn, financed by 15-year amortizing project loan at an interest cost of less than its average cost of debts of 9.15%.

**Table 2: ReNew Energy 1QFY25 financial and operational highlights**

INRmn	1Q24	1Q25	Change
Revenue	21,250	22,811	7%
Adjusted EBITDA	18,599	18,979	2%
Adjusted EBITDA margin	88%	83%	-5 pct pt
Finance cost	11,077	12,215	10%
Profit after tax	4,594	2,490	-46%
Operating cash flow	13,473	9,913	-26%
Capex	26,903	3,201	-88%
Cashflow to equity	9,584	9,703	1%
Operating capacity (GW)	8.4	9.6	1.2
-Wind	4.2	4.8	0.6
-Solar	4.1	4.7	0.6
-Hydro	0.1	0.1	-
Plant load factor (%)			
-Wind	29.9	28.4	-150bps
-Solar	27.5	27.2	-30bps
INRmn	Mar'24	Jun'24	Change
Cash and bank balances	68,466	73,710	8%
Total debts	593,748	685,390	15%
Net debts	482,882	611,680	27%
Net debt/EBITDA	6.5x	8.1x	-

Source: Company filling.

➤ **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)
No Offshore Asia New Issues Pipeline Today					

➤ **News and market color**

- Regarding onshore primary issuances, there were 69 credit bonds issued yesterday with an amount of RMB50bn. As for month-to-date, 2,075 credit bonds were issued with a total amount of RMB2,008bn raised, representing a 10.9% yoy increase
- [FOSUNI]** Fosun International plans to cut interest-bearing debt by RMB25.5bn in three years via asset sales

- **[GEMDAL]** Gemdale recorded RMB3.4bn net loss for 1H24, compared with net profit of RMB1.5bn in 1H23; It made RMB2.93bn provision for asset impairment in 1H24
- **[MIANYA]** Fitch affirmed Mianyang Investment Holding BB rating and revised rating outlook to positive from stable
- **[MONMIN]** Fitch affirmed Mongolian Mining's B rating with stable rating outlook
- **[NWDEVL]** Media reported that CR Longdation has made an HKD9bn offer to purchase New World Development's K11 ART MALL in HK.
- **[SMCGL]** San Miguel Global Power Holdings set minimum rate for new perps in exchange offers at 8.625%
- **[SUNAC]** Sunac 1H24 revenue down 41% yoy to RMB34.3bn and operating loss narrowed to RMB9.7bn from RMB12.9bn in 1H23

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