CMBI Credit Commentary

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

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- *Sentiment recovered this morning. Long-end China TMT BABA/TENCNT and TW lifer T2 tightened 3-8bps. KR corps tightened 2-4bps. FRESHKs rebounded 0.1-0.25pt. Guangzhou LGFVs recovered, GZDZCD/KCGZIG were unchanged to 0.5pt higher.*

- ***UPLLIN:** Improved profitability tempered by weaker cash conversion and higher leverage in 1HFY27. UPLLINs were unchanged this morning. See below.*

- ***ZHHFGR:** Media reported that Zhuhai government will allocate over RMB100bn (cUSD15bn) funds to support Zhuhai Huafa Group in addressing its issues. CNH ZHHFGRs were unchanged to 5pts higher this morning.*

❖ Trading desk comments 交易台市场观点

Yesterday, we saw slightly risk-on sentiment post-election with no surprises. In China TMT, there were better buying flows on duration drove spreads 3-8bps tighter, led by BABA'35/TENCNT'36/KUAISH'36/MEITUA'35s, and the 20-30y long end. TW lifers tightened 5-10bps on street short covering into SHIKON/NSINTW/FUBON/CATLIF. HK names also performed well, with 10y LINREI/HKTGHD tightening 5bps, and MTRC perps gaining 0.25-0.5pt, while Bank T2 were under steady buying from Chinese AM in NANYAN and DAHSIN. Korea showed surprising resilience, with lifers up a quarter point, and deployment/short covering tightening low-spread quasi/corps like KORELE/HWEUEC curves by 2-3bps. In SEA, BBLTB sub curves bucked the trend to trade 3-5bps wider, while KBANK remained unchanged.

In higher-yielding space, EU AT1s squeezed 0.25-0.5pts higher with solid buying across HSBC/ACAFP/SOCGEN/UBS belly-to-long-end, though INTNED long-end and BNS saw some selling pressure. Chinese developers recovered, CNH ZHHFGR rebounded 5-10pts post news that local government may provide supports to Huafa Group. CHJMAO/GRNCH rose 0.1-0.2pt. LGFVs were weak, Guangdong names were under better selling, KCGZIG'28 dropped 3pts and GZDZCD'28/GZGETH'27 down 0.5pt. SOFTBK curves rallied 0.1-0.5pt.

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❖ Last Trading Day's Top Movers

Top Performers	Price	Change
BBVASM 7 1/8 PERP	**97.0**	**1.1**
FUBON 5.45 12/10/35	**94.7**	**1.0**
FUBON 5.87 07/27/41	**95.1**	**1.0**
SHIKON 6.95 06/26/35	**100.0**	**1.0**
NSINTW 5.45 09/11/34	**93.0**	**0.9**

Top Underperformers	Price	Change
KCGZIG 5.4 03/11/28	**96.7**	**-3.0**
UETMF 9 7/8 08/01/29	**93.6**	**-0.5**
GZDZCD 4.39 03/13/28	**98.2**	**-0.5**
GZGETH 4.4 11/28/27	**98.4**	**-0.4**
CPDEV 6.8 04/07/29	**92.5**	**-0.3**

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+1.58%), Dow (+3.03%) and Nasdaq (+1.44%) rallied higher on Wednesday. US Oct'26 ADP employment increased 86k, higher than the expectation of +67k. US Oct'26 Markit service PMI was 56.1, lower than the expectation of 57.9. UST yield retreated yesterday, 2/5/10/30 year UST yield was at 4.58%/4.69%/4.90%/5.28%.

❖ Desk Analyst Comments 分析员市场观点

➢ UPLLIN: Improved profitability tempered by weaker cash conversion and higher leverage in 1HFY27

We view UPL's improving profitability as supportive of its credit profile while we remain cautious on its cash conversion and the pace of deleveraging. On a risk-adjusted basis, we are neutral on UPLLINs and prefer INCLEN '27, INDYIJ '29, MEDCIJ '29-30 in the SEA region. See Table 1.

Table 1: UPL's o/s USD bonds and our SEA picks

Security name	ISIN	Amt o/s (USD mn)	Ask Px	YTM	Mod dur	Issue rating (M/S/F)
UPLLIN 4.5 03/08/28	XS1789391148	300	96.4	7.4%	1.3	Ba2/BB/BB
UPLLIN 4.625 06/16/30	XS2189565992	500	89.6	8.0%	3.2	Ba2/BB/BB
INCLEN 4.5 04/18/27	USV4605MAA63	400	99.0	6.7%	0.4	Ba3/-/BB-
INDYIJ 8.75 05/07/29	USY71247AA15	555	99.9	8.8%	2.1	B1/-/B+
MEDCIJ 8.96 04/27/29	USY5951MAA00	482	102.3	7.9%	1.8	Ba3/BB-/BB-
MEDCIJ 8.625 05/19/30	USY56616AA68	600	101.8	8.0%	2.2	Ba3/BB-/BB-

Source: Bloomberg.

In 1HFY27, UPL's revenue increased 4% yoy to INR220.4bn, driven by the growth of Advanta and SUPERFORM AI, which grew 18% yoy and 21% yoy, respectively. UPL's contribution profit rose 7% yoy to INR96.9bn and contribution profit margin expand to 44.0% from 42.6% in 1HFY26, representing an improvement in 8 consecutive quarters. Its EBITDA increased 9% yoy to INR38.1bn with EBITDA margin improving to 17.3% from 16.5%, given the disciplined cost management.

In 1HFY27, UPL's operating cash outflows increased 93% yoy to INR92.7bn from INR48.0bn in 1HFY26, dragged by higher net working capital. Its net working capital days increased to 145 days from 118 days during the period due to higher inventory level and shorter payables days, which increased 14 days and decreased 6 days, respectively. The company's capex was down 23% yoy to INR7.5bn in 1HFY27. While the guidance of FY27 cpaex is USD325mn (cINR30.7bn), higher than the USD261mn capex in FY26, the current-run rate implies there could be a substantial increase in capex in 2HFY27 from 1HFY27.

As of Sep'26, UPL's cash decreased 20% yoy to INR33.3bn while total debts increased 14% yoy to INR342.4bn. As a result, its net debts/LTM EBITDA rose to 2.9x from 1.6x in FY26 despite higher LTM EBITDA. We take comfort from its clear refinance plan for its FY27 maturities, while its next USD bond maturity will be USD300mn UPLLIN 4.5'28 in FY28. On the other hand, we view UPL's financial flexibility could be further enhanced, in view of the potential India IPO by its subsidiary Advanta Enterprises, which UPL plans to raise up to USD400mn as per media report.

Management maintained the guidance that UPL's FY27 revenue to grow at 7-11% yoy and EBITDA to grow at 10-14% yoy, compared with the yoy growth of 4% and 7% in 1HFY26. UPL's operating performance could further improve in 2HFY27. That said, we will continue monitor the company's cash generation capacity and maturity management.

Table 2: 1HFY27 financial highlights

INR bn	1HFY26	1HFY27	Change
Revenue	212.4	220.4	4%
Contribution profit	90.4	96.9	7%
EBITDA	35.1	38.1	9%
Operating cash flow	(48.0)	(92.7)	93%
Capex	9.8	7.5	-23%
Revenue by platform			
-UPL Corp	145.8	143.5	-2%
-UPL SAS	20.5	20.6	1%
-Advanta	30.7	36.3	18%
-SUPERFORM	53.6	65.0	21%
Revenue by region			
-Latin America	81.0	78.2	-3%
-North America	22.4	26.6	19%
-Europe	29.1	28.1	-3%
-India	39.2	41.1	5%
-Rest of the world	40.7	46.5	14%
Contribution margin	42.6%	44.0%	1.4%
EBITDA margin	16.5%	17.3%	0.8%

INR bn	Sep'25	Sep'26	Change
Cash and bank balances	41.5	33.3	-20%
Total debts	300.2	342.4	14%
Net debts	258.7	305.0	18%
Net debt/EBITDA	2.7x	2.9x	-
Net working capital days	118	145	-
-Inventory days	*124*	*140*	-
-Receivable days	*146*	*150*	-
-Payable days	*151*	*145*	-

Source: Company filling, CMBI FICC Research.

- **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	IPT/IPG	Issue Rating (M/S/F)
No Offshore Asia New Issues Pipeline Today					

- **News and market color**

  - Regarding onshore primary issuances, there were 49 credit bonds issued yesterday with an amount of RMB44bn. As for Month-to-date, 194 credit bonds were issued with a total amount of RMB188bn raised, representing a 2.7% yoy decrease

  - **[MPEL]** Melco Resorts 3Q26 gaming revenue down 11.5% yoy to USD939mn; adjusted property EBITDA down 24.4% yoy to USD288mn

  - **[SMCGL]** San Miguel Global to redeem outstanding USD258.5mn SMCGL 5.45 PERP on 9 Dec'26

  - **[SHIKON]** Fitch Upgrades Shin Kong Life's IFS Rating to BBB+; off Rating Watch Evolving; Outlook Stable

  - **[TENCNT]** Media reported that Oracle canceled a chip leasing agreement with Tencent Holdings worth an estimated USD7bn

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