

CMBI Credit Commentary

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

- *Trading flow remained light this morning given China market will only resume trading next Monday. This morning we saw Korean names were under profit taking, EIBKOR/WOORIB/POHANG traded ~2bps wider.*
 - **FTHDGR:** *Facts and thoughts on debt restructuring. Assuming zero value of the equity value, holders not participating into the Dutch auction for redemption of bonds at 15pts or lower, and discount rates of 15-40% for the restructured bonds, we estimate the NPV of the restructured bonds to 19-43% in addition to the consent fee of 0.1. See below.*
 - **VEDLN:** *Vedanta plans to sell its international zinc assets to its subsidiary, Hindustan Zinc, for up to USD2.98bn. VEDLN'24-26 up 4.5-10.4pts last Friday and largely unchanged from last Friday to this morning.*
- ❖ **Trading desk comments 交易平台市场观点**

Last Friday, IG space witnessed a silent but very firm session. Previous new issue WOORIB'28 were flat at T+113/117 level last Friday. Financials space was largely stable, with China AMCs performed mixed. HRINTH 23-24s tightened 10-15bps under two-way flows. CCAMCL curve ended largely unchanged skewed to better selling, post Cinda announced on Last Thursday that it expected a up to 50% yoy drop in net profit for FY22. T2 Benchmarks CCB 29-32s were traded 3-5bps wider. TMTs were generally strong. BIDU/BABA benchmark papers continued to the recent upbeat to grind 1-3bps further tighter. BBB names XIAOMI/LENOVO tightened 2-5bps. TAISEM 30y papers were traded 10bps wider than previous EOD. In IG properties, LNGFOR/VNKRLE curves tightened 6-12bps. China HY was quiet across the space. COGARDS/CHINSCs closed up 0.5-1pt. ROADKGs/YLLGSPs were up 1.5-2.5pts. CSCHCNs/CENCHIs lowered 1-2.5pts. PWRLNGs were slightly bid up 0.5-1pt after news on its plan to pay the three USD coupons on the due-23-24s within the grace period. HK names NWDEVL perps were notably up 1.5-4.5pts while FWDGRP were 0.5-1pt higher on the day. In industrial space, FOSUNI 24-25s and HONGQI 23-24s were indicated unchanged to 0.5pt higher at high-90s. Macau gaming names MPELs/SANLTDs/STCITYs were traded up 0.5-1pt. Away from China, Indian HYs outperformed ending 0.5pt higher, with GRNKENS/ADANIGs were marked up 0.5-1pt across the curve. VEDLN 24-26s surged 4.5-10.4pts, after it announced the sale of its international zinc assets to Hindustan Zinc for up to USD2.98bn. Near-term VEDLN'23s were traded 1.5-2pts higher to close at high-90s. Indonesian space were largely stable. LPKRIJs/LMRTSPs were unchanged to 0.5pt higher. MEDLIJ'25 was quoted at 35 level, before Fitch withdrew its CCC- rating as the company has chosen to stop participating in the rating process.

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In the LGFV/SOE Perp/AT1 space, market was rather muted on the last trading day before Lunar New Year. LGFVs stayed stable amid a broader positive backdrop in China credit. We saw cash parking flows shifted to rebalancing flows. Clients are basically sidelined to avoid settlement in holiday. Some weaker names showed balanced two-way flows skewed to better selling. CQLGST 24s/GSHIAV 23s were unchanged to 0.5pt lower. In SOE space, we saw better buying on the front end. HAOHUA/SINOPE/CNOOC curves edged 3-6bps tighter. AT1s were continue to be supported at recent rich levels. Benchmarks ICBCAS 3.58 Perp/CMHI 3.5 Perp were traded at 96.5/98.5 level, respectively.

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
VEDLN 6 1/8 08/09/24	79.3	10.4	CSCHCN 9 12/11/24	72.9	-2.3
VEDLN 8.95 03/11/25	85.0	7.9	CENCHI 7.65 08/27/23	36.8	-2.3
VEDLN 9 1/4 04/23/26	78.9	7.3	TAISEM 2.7 09/22/60	64.9	-1.8
GLPCHI 2.6 02/09/24	93.0	5.0	TAISEM 3.1 09/23/51	75.8	-1.6
NWDEVL 6 1/4 PERP	80.8	4.7	TAISEM 4 1/2 04/22/52	99.7	-1.6

❖ Macro News Recap 宏观新闻回顾

Macro – U.S. stock markets were weak yesterday, S&P (-0.02%), Dow (+0.03%) and Nasdaq (-0.18%). All three indexes pared losses yesterday afternoon while Dow showed a slight gain at closing. Nasdaq weighed down after Microsoft announced its quarterly results, big tech peers Amazon, Apple and Alphabet also traded down. The U.S. treasury yields overall up. The 2/5/10/30 yields curves at 4.11%/3.54%/3.46%/3.62%, respectively.

❖ Desk analyst comments 分析员市场观点

➤ Fantasia: Facts and thoughts on debt restructuring

Our estimated NPV of 19-43%

Fantasia finally announced the long-awaited debt restructuring plan. In brief, USD1.3bn, about 1/3, of the outstanding USD bonds will be converted into equity of Fantasia, and the remaining USD2.7bn will be exchanged into 8 tranches of new bonds with maturities ranging from 2-6.5 years. The coupon rates range from 5-8% for cash coupon and 7-10% for coupon with PIK. Please see Appendix 1 for the summary of debt restructuring plan. Assuming zero value of the equity value, holders not participating into the Dutch auction for redemption of bonds at 15pts or lower, and discount rates of 15-40% for the restructured bonds, we estimate the NPV of the restructured bonds to 19-43% in addition to the consent fee of 0.1. The long-stop date of the restructuring will be on 30 Nov'23.

Discount rate	15%	20%	30%	35%	40%
NPV	43.3%	35.9%	25.5%	21.8%	18.7%

32% of outstanding bonds will be swapped for equity

Fantasia has 13 USD bonds (including a pp of USD50mn) with an aggregate outstanding amount of USD4bn. USD1.3bn of these will be equitized into the shares of Fantasia which has been suspended from trading since 1 Apr'22. The market capitalization of Fantasia prior to trading suspension was cUSD150mn. Upon the completion of debt restructuring, the controlling shareholder Baby Zeng will hold at least 45% equity in Fantasia, while USD bondholders will hold at least 52.6% in Fantasia.

The balance to be exchanged into new bonds with maturities of 2-6.5 years

For the remaining USD2.7bn will be exchanged into 8 tranches of new bonds with maturities from Dec'24 – Jun'29. The cash coupon and PIK coupon of the new bonds range from 5-8% and 7-10%, respectively. From now to Dec'25, at least part of the coupon will be PIK. All cash coupon will only come starting from Dec'25.

Target to raise new money of USD115mn

One of the condition precedents is the completion of raising “initial new money” of USD100mn super senior debt from Gortune Alternative and subordinated debts of USD15mn from Baby Zeng. Gortune Alternative, 40% owned by Gortune Investment Co., Ltd., specializes in equity investments, distressed asset investments, asset management and industrial resource integration. Gortune Investment Co., Ltd., established in 2016, is an investment company. Its paid-up capital is RMB16bn. Shareholders include GD enterprises such as COGARD, Midea and Xiangxue Pharmaceutical.

After deduction of USD25mn for fee and expenses, the remaining USD90mn will be used to redeem existing bonds through a Dutch auction tender offer at a purchase price of no higher than 15 pts. Fantasia will raise, on a best effort basis, “Additionally New Money” of USD100mn.

Approval thresholds

The approval threshold will be headcount vote of over 50% and at least 75% in value voted for the restructuring plan in the scheme meetings. Currently, the ad-hoc group represents c24.5% of the outstanding USD bonds of Fantasia.

The unknowns???

At the time of writing, we are yet to obtain a firm answer from the restructuring advisor on the quorum and arrangement of the scheme meeting. We are not sure if there will be 13 separate scheme meetings for 13 outstanding bonds or these bonds will be lumped into a single scheme meeting.

Additionally, 40% of net considerations of “Specified Asset Sale” will be deposited in a reserve account for bond redemption. However, there is no information as to what assets will be include in “Specified Asset Sale”.

Appendix 1: Summary of the debt restructuring

The debt restructuring

The o/s (USD mn)	4018.356	67.6%
Debt to equity swap	1300	32.4%

Initial new money

Gortune Alternative Fund Management (Zhuhai Hengqin) Co. Ltd.	USD100mn	Super senior debts secured by onshore assets
Zeng Jie Baby	USD15mn	Unsecured debts with no fixed maturity, interest to be 5-8%

Additional new money

Financing or asset sales (best effort basis)	USD100mn	Pari passu with super senior debts. No amortization within 1 yr o restructuring effective date (RED)
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Longstop date	30 Nov'23
Step plan	9 Apr'23
Consent fee	0.10%
Consent fee deadline	30 Mar'23 the latest
Approved threshold	50% in headcount and 75% in value in scheme meeting

	Size (USDmn)	Maturity	All cash coupon	Coupon with PIK	31-Dec-22	30-Jun-23	31-Dec-23	30-Jun-24	31-Dec-24	30-Jun-25	31-Dec-25 onwards
Tranche A	200.0	31-Dec-24	5%	7%	All PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	3% cash, the rest in PIK	3% cash, the rest in PIK	All cash
Tranche B	200.0	31-Dec-25	5.25%	7.25%	All PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	3% cash, the rest in PIK	3% cash, the rest in PIK	All cash
Tranche C	300.0	31-Dec-26	5.50%	7.50%	All PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	3% cash, the rest in PIK	3% cash, the rest in PIK	All cash
Tranche D	400.0	30-Jun-27	6%	8.00%	All PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	3% cash, the rest in PIK	3% cash, the rest in PIK	All cash
Tranche E	500.0	31-Dec-27	6.50%	8.50%	All PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	3% cash, the rest in PIK	3% cash, the rest in PIK	All cash
Tranche F	500.0	30-Jun-28	7%	9.00%	All PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	3% cash, the rest in PIK	3% cash, the rest in PIK	All cash
Tranche G	309.2	31-Dec-28	7.50%	9.50%	All PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	3% cash, the rest in PIK	3% cash, the rest in PIK	All cash
Tranche H	309.2	30-Jun-29	8%	10.00%	All PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	0.5% cash, the rest in PIK	3% cash, the rest in PIK	3% cash, the rest in PIK	All cash

Click [here](#) for full report.

➤ Offshore Asia New Issues (Priced)

Issuer/Guarantor	Size (USD mn)	Tenor	Coupon	Yield	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 5 credit bonds issued last Friday with an amount of RMB3bn. As for Month-to-date, 1,059 credit bonds were issued with a total amount of RMB909bn raised, representing a 30.5% yoy decrease
- In Macau, the average daily visitor arrival surged 217% yoy to more than 51k during first three days of the Lunar New Year break. More than 94% came from mainland China and Hong Kong
- **[ADANIG]** Adani Group plans to list 5 businesses after their proposed spin-off between 2025-2028, including Adani Airport Holdings, Adani New Industries, Adani Connex Pvt, Adani Road Transport, and also the group's metals and mining operations
- **[BUMIJJ]** Bumi Resources B3 rating withdrawn by Moody's
- **[CARINC]** Car Inc. outlook revised to negative by S&P on tightening liquidity, B- rating affirmed
- **[CHFOTN]** CFLD bond restructuring scheme of arrangement sanctioned by English High Court
- **[HUIJHK]** Huijing Holdings expects non-payment of interest on 12.5% senior notes. The company conducts consent solicitation to postpone the interest payment date for 3 months to 21 Apr from 21 Jan
- **[IDASAL]** Inalum is not planning to launch an IPO this year and may seek to issue global bonds instead
- **[INDYIJ]** Indika Energy's subsidiary, Kideco, secured a coal mine concession extension until 2033. Separately, Indika set up a JV with South Korea's Bioneer Corp, a medical equipment manufacturer; it also bought 46% in Natura Aromatik Nusantara, an Indonesia's fourth-largest exporter of essential oils, for IDR179.6bn (cUSD12mn)
- **[KAISAG]** Kaisa is close to hire an independent financial advisor to conduct a liquidation analysis for its offshore debt restructuring
- **[LPKRIJ]** Lippo Karawaci received USD224.2mn of notes validly tendered as of early tender deadline, representing 28.7% and 25.9% of the aggregate outstanding principal of its due-25 and due-26 notes
- **[LVGEM]** LVGEM (China)'s CCC rating withdrawn by Fitch as the company stop participating in the rating process
- **[RONXIN]** Ronshine China missed payment for the principal and interests on its USD413mn 8.95% notes due in Jan'23
- **[RSMACA]** Alibaba increased its stake in Red Star Macalline to 9.9% via converting the exchangeable bonds into 217.6mn A-share at RMB8.44 per share
- **[VEDLN]** Vedanta Resources seeks up to USD2bn bridge loans to finance debt repayment and bond redemptions

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