

CMBI Credit Commentary

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

- *Asia IG space was mixed this morning. EIBKORs/HYNMTRs widened 1-2bps. CFAMCIs were unchanged to 2bps wider on some profit taking. MEITUA 30s/BABA 31s tightened 1bp. VNKRL 25-29s were up 0.6-0.7pt.*
- **UPLIN:** 36% yoy growth in 9MFY25 EBITDA. We maintain neutral on UPLIN 5.25 Perp. UPLIN 5.25 Perp rose 2.6pt since the announcement of 9MFY25 results and +0.1pt this morning.
- **FRESHK:** Far East Horizon mandates to issue 3-year CNH bonds, IPT at 4.75%. FRESHKs were unchanged to 2bps tighter this morning.

❖ Trading desk comments 交易台市场观点

Yesterday, Asia IG space was firm. In KR, DFHOLDS/DAESECs tightened 2-5bps. HYUCAPs/HYUELEs were 1-2bps tighter. In Chinese IGs, HAOHUAs/BABAs tightened 1-3bps. MEITUAs tightened 3-4bps. LENOVOs/XIAOMIs/WBs were also 3-5bps tighter. In financials, BOCAVI 28s/29s widened 1-2bps. In Chinese AMCs, CFAMCI 27-30s were 0.1-0.3pt higher (3-4bps tighter). In T2s, BNKEA 30-34s closed 1-3bps tighter despite Chinese AM selling. NANYAN 34s/DAHSIN 31s tightened 2-5bps. In AT1s, the short-dated-to-call papers such as BACR 6.125/HSBC 6.5/INTNED 8 Perps were 0.1-0.4pt higher in light of lower rates. In JP, the insurance hybrids such as MYLIFE 54s/NIPLIF 54s/SUMILF Perp rose 0.3-0.4pt. NSANY 27-30s were 0.8-1.6pts lower (30-50bps wider) following the reports of Nissan Motor's deal with Honda to collapse. In HK, NWDEVL Perps/27-31s increased 0.4-1.6pts. NANFUN/HYSAN 27-30s were also 0.2-0.4pt higher under better buying from PBs. In Chinese properties, VNKRL 25-29s dropped 1.0-2.6pts and closed 0.5-4.1pts lower WTD. On the other hand, SHUION 26s increased another 0.9pt and closed 1.5pts higher WTD. SOE names CHIOLIs/YUEXIUs/POLHONs were 0.1-0.5pt higher under small-sized buying from AMs. Outside properties, EHICAR 26-27s declined 0.3-0.4pt. In India, ADANEMs/ADSEZs/ADGREGs/ARENRIJs were up another 0.3-0.5pt. UPLINs were 0.2-0.4pt higher. See comments below. Elsewhere, GLPSP Perps were up another 0.2-0.5pt and closed 2.8-3.3pts higher WTD.

In LGFVs, GZINFU/SDECDI 26s closed 0.1-0.2pt higher. There were two-way interests on USD papers such as QICHEN/ZOUCAO 27s and CNH papers such as SDGAOC 27s/PDCTEV 26s. Offshore accounts were better buyers of high-yielding LGFVs. In SOE perps, CHSCOI/SPICPT Perps were up 0.1pt.

Glenn Ko, CFA 高志和
 (852) 3657 6235
 glennko@cmbi.com.hk

Cyrena Ng, CPA 吳倩瑩
 (852) 3900 0801
 cyrenang@cmbi.com.hk

Jerry Wang 王世超
 (852) 3761 8919
 jerrywang@cmbi.com.hk

❖ Last Trading Day's Top Movers

Top Performers	Price	Change	Top Underperformers	Price	Change
CHGRID 4 3/8 05/22/43	93.8	1.7	VNKRLE 3.975 11/09/27	60.4	-2.6
NWDEVL 4 1/8 07/18/29	46.9	1.6	VNKRLE 3 1/2 11/12/29	56.4	-2.5
SINOPE 5 3/8 10/17/43	104.5	1.4	NSANY 4.81 09/17/30	92.5	-1.6
NWDEVL 5 7/8 06/16/27	54.6	1.3	VNKRLE 3.15 05/12/25	91.0	-1.0
NWDEVL 4 3/4 01/23/27	57.0	1.2	NSANY 4.345 09/17/27	95.6	-0.8

❖ Marco News Recap 宏观新闻回顾

Macro – S&P (+0.39%), Dow (+0.71%) and Nasdaq (+0.19%) were higher on Wednesday. US Jan'25 ADP employment was +183k, higher than the market expectation of +148k. US Dec'24 ADP employment was revised upward to +176k from +122k. US Jan'25 ISM non-manufacturing PMI was 52.8, lower than the market expectation of 54.2. UST yield retreated on Wednesday, 2/5/10/30 yield at 4.17%/4.24%/4.43%/4.64%.

❖ Desk Analyst Comments 分析员市场观点

➤ UPLIN: 36% yoy growth in 9MFY25 EBITDA

In 9MFY25, UPL's revenue was up by 7% yoy to INR310.6bn, mainly attributable to higher revenue from North America and Europe. The 14% increase in sales volume was offset by 5% decrease in price and 2% forex impact. Net-net, its 9MFY25 EBITDA were up by 36% yoy and EBITDA margin improved to 15.7%, lower COGS because of change in product mix and lower SG&A resulting from cost optimization more than offset the impact of lower ASP. See Table 1.

Meanwhile, UPL completed the destocking of high-cost inventory in most of the regions during Q3FY25. We expect the revenue growth momentum to continue in Q4FY25, in view of the strong volume growth and diminishing pricing pressure from special rebates. The volume variance in revenue change was +16%, +16%, +14%, respectively, in 1QFY25, 1HFY25 and 9MFY25 yoy, while the price variance in revenue change was -14%, -10%, -5%, yoy respectively. Recalled that the higher rebates offered to large distributors and customers in relation to the high cost inventory was one of the major drags on its profitability in FY24.

UPL is confident to deliver 4-8% growth in revenue and 50% EBITDA growth target in FY25. In 9MFY25, UPL has achieved 67-69% of the revenue target and 59% of the EBITDA target. The run-rate of 9MFY25 EBITDA versus full year target appears to be low compared with that of the past 3 years ranging from 65-73% in 9M.

UPL's net debts (incl. USD perps) increased to INR288.6bn at Dec'24. Given higher 9MFY25 EBITDA, UPL's net debts (incl. USD perps)/LTM EBITDA improved to 4.2x in 9MFY25 from 4.6x in FY24. Despite the receipt of USD100mn from rights issue in Dec'24 and a higher 9MFY25 EBITDA, UPL's cash and cash equivalent at Dec'24 only increased slightly to INR43.7bn, from INR43.1bn at Sep'24, reflecting the negative working capital. UPL explained that most of their operating cash flow would come in during Q4, in particular the receivables from Latin America, US and the Europe.

In Dec'24, UPL received USD100mn out of the rights issue of USD400mn. In India, companies are allowed to call for part payment for rights issue or in full upfront. UPL will receive another USD100mn by Mar'25, and the remaining USD200mn in FY26. As per UPL, it will have liquidity totaled USD750mn available for debt repayment by Mar'25. This is comprised of USD200mn from rights issue (of which USD100mn to be received in Mar'25), USD250mn from stake sale in Advanta (expect to receive the clearance from Competitive Commission of India in Feb-Mar'25), as well as USD300mn expected FCF in FY25. Meanwhile, UPL has USD Perp UPLIN 5.25

Perp of USD400mn first callable in Feb'25 (first reset in May'25, hence, call, if any, will be in May'25), and USD250mn loan due in Sep'25.

We view the likelihood of the perp being called by May'25 is higher given the strong operating results, rights issue and stake sale of Advanta. However, we do not see a very strong incentive for UPL to call perp with cash on hand or additional debts. Recalled that the coupon of the perp will be reset in May'25 to 5-yr UST+3.865% (without step-up), i.e. c8.1% compared with cost of debts of c7%. The decision of call will hinge on the timing of receipt of the remaining proceeds from rights issue and stake sales of Advanta, as well as UST movement. We maintain neutral on UPLLIN 5.25 Perp on valuation. For SEA corp perps, we prefer PCORPM 5.95 Perp, SMCGL 5.7 Perp, SMCGL 5.45 Perp, SMCGL 8.125 Perp and SMCPL 5.5 Perp.

Table 1: UPL's 9MFY25 financial highlights

INRbn	9M24	9M25	Change
Revenue	290.2	310.6	7%
-Latin America	122.8	125.2	2%
-Europe	35.3	40.8	16%
-India	43.0	45.4	6%
-North America	23.7	33.7	42%
-Rest of the world	65.4	65.5	-
Contribution profit	108.5	122.4	13%
Contribution margin	37.4%	39.4%	200bps
EBITDA	35.8	48.8	36%
EBITDA margin	12.3%	15.7%	340bps
INRbn	Mar'24	Dec'24	Change
Cash and bank balances	62.6	43.7	-30%
Total debts	314.2	332.3	6%
Net debts	251.6	288.6	15%
Net debt/LTM EBITDA	4.6x	4.2x	-
Net working capital days	121	107	-
-Inventory days	117	109	-
-Receivable days	135	109	-
-Payable days	131	111	-

Note: Debts include USD perps.

Source: Company filling, CMBI 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	Pricing	Issue Rating (M/S/F)
Korea Electric Power Corporation	USD	-	3yr	T+90	Aa2/AA/--

➤ News and market color

- Regarding onshore primary issuances, there were 1 credit bonds issued yesterday with an amount of RMB1bn. As for Month-to-date, 1 credit bonds were issued with a total amount of RMB1bn raised, representing a 99.7% yoy decrease

- The US Postal Service will again accept parcels from China and Hong Kong, reversing a 12-hour suspension after Trump scrapped an exemption used by retailers including Temu, Shein, and Amazon to ship low-value packages duty-free to the US
- **[CSIPRO]** Waiver has been granted by the SFC on 5 Feb'25 to make mandatory offer triggered by HKD1.992bn strategic fundraising
- **[DALWAN]** Dalian Wanda Commercial Management completed sale of 10% stake in Shanghai Beyond Science for RMB100mn (cUSD13.8mn)
- **[JD]** JD.com still keen to acquire Ceconomy AG, electronics retailer in Germany
- **[ROADKG]** Road King Infrastructure to defer 18 Feb'25 distribution on ROADKG 7.95 Perp to next distribution payment date
- **[YUZHOU]** Yuzhou Group to seek scheme creditors' consent to extend longstop date for proposed restructuring to 31 Aug'25

Fixed Income Department

Tel: 852 3657 6235/ 852 3900 0801

fis@cmbi.com.hk

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