

## **RATING ACTION COMMENTARY**

### **Fitch Affirms Pan Brothers at 'RD' and 'RD(idn)'**

Fri 18 Jul, 2025 - 00:59 ET

Fitch Ratings - Singapore/Jakarta - 18 Jul 2025: Fitch Ratings has affirmed Indonesia-based garment manufacturer PT Pan Brothers Tbk's Long-Term Issuer Default Rating (IDR) at 'RD'. Fitch has also affirmed the rating on the USD171 million senior unsecured notes due December 2025, issued by PB International B.V., at 'C' with a Recovery Rating of 'RR4'. At the same time, Fitch Ratings Indonesia has affirmed the National Long-Term Rating at 'RD(idn)'.

The affirmation reflects Pan Brothers' pending issuance of new notes and mandatory convertible bond (MCB) to arrive at the capital structure set forth by its in-court restructuring outcome. The ratings also reflect the continuation in Pan Brothers' underlying operations. The company is also not winding up or undergoing a liquidation procedure.

'RD' ratings indicate an issuer has experienced an uncured payment default on a bond, loan or other material financial obligation but has not entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedures and has not otherwise ceased business.

## **KEY RATING DRIVERS**

**Pending Note, MCB Issuance:** An Indonesian court approved the composition plan proposed by the company, which is effective 3 January 2025. The plan requires Pan Brothers' USD337 million debt to be restructured into USD90 million in syndicated loans and USD11 million in term loans, as well as the issuance of the new notes and MCB.

The company completed the USD11 million term loan and USD90 million syndicated loan restructuring in January 2025. It received approval from shareholders on 19 June 2025 for the issuance of the MCB. Based on the court ruling, the company has up to 18 months from the effective date to issue the new notes and MCB. Any reassessment of

the rating based on the new capital structure would be based on the completion of the new note and MCB issuance.

**Extended Debt Maturity, Lower Interest:** Upon the completion of the restructuring, including the new notes and MCB issuance, Pan Brothers' debt maturity will be extended to 11-15 years, with the interest rate declining to 1%-2%. There is no debt amortisation schedule in the next three years, and the first debt repayment will occur in 2029. This allows time for the company to restructure its operations.

**Declining Revenue:** We estimate revenue to decline by 15% in 2025 (2024: -45%) on weaker customer demand and limited working capital. The company currently only has one letter of credit facility. However, we expect a revenue recovery starting 2026. Fitch forecasts the gross margin will be around 8% due to rising wage pressure and lower revenue, which will lead to an EBITDA margin of 1%-3% in 2025-2026.

**Constrained Working Capital:** Pan Brothers has high working-capital requirements and limited access to new funding. It is relying on existing bank lines and its limited cash balance to fund working-capital needs. Liquidity pressure is heightened, as we expect working capital to remain mildly negative while it has annual maintenance capex requirements.

**ESG - Management Strategy:** Improvement in its cash generation is dependent on Pan Brothers' strategy development and implementation in terms of working-capital and debt-maturity management. Its debt repayment and refinancing capacity relies on its ability to attract new bank lenders beyond its previous and current lenders or find alternative sources of funding.

## **PEER ANALYSIS**

The rating reflects Pan Brother's ongoing restructuring and the pending issuance of new notes and the MCB.

## **KEY ASSUMPTIONS**

**Fitch's Key Assumptions Within the Rating Case for the Issuer:**

- Revenue to drop by 15% in 2025 before 10% growth in 2026 as demand recovers.
- EBITDA margin of 1%-3% in 2025-2026.
- Capex of around USD3 million in 2025 in the absence of capacity expansion.
- No dividend payments in 2025-2026.

## **RECOVERY ANALYSIS**

The recovery analysis assumes that Pan Brothers would be reorganised as a going-concern in bankruptcy rather than liquidated. We assume a 10% administrative claim.

### **Going-Concern Approach**

- The going-concern EBITDA estimate reflects Fitch's view of a sustainable, post-reorganisation EBITDA level upon which we base the enterprise valuation.
- We estimate EBITDA at USD50 million to reflect industry conditions and competitive dynamics.
- An enterprise value multiple of 5x EBITDA is applied to the going-concern EBITDA to calculate a post-reorganisation enterprise value. The multiple factors in Pan Brothers' customer quality and stable demand.
- The going-concern enterprise value corresponds to a 'RR4' Recovery Rating for the senior unsecured notes after adjusting for administrative claims.

## **RATING SENSITIVITIES**

**Factors that could, individually or collectively, lead to negative rating action/downgrade:**

- Fitch may downgrade the ratings to 'D' if Pan Brothers enters into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedures, or otherwise ceases business.

**Factors that could, individually or collectively, lead to positive rating action/upgrade:**

- Fitch would reassess Pan Brothers' credit profile and its debt issuance if a debt restructuring process is completed or there is successful resolution to the current default.

## **LIQUIDITY AND DEBT STRUCTURE**

Pan Brothers' liquidity remains constrained, with limited access to funding. The company had USD9.0 million in available cash and no known committed undrawn facilities at end-March 2025. It only has a letter of credit facility from PT Bank UOB Indonesia (AAA(idn)/Stable) and vendor financing to support its working-capital needs.

## **ISSUER PROFILE**

Pan Brothers is one of Indonesia's largest garment manufacturers, with Adidas and Uniqlo as its main customers. The company has a production capacity of up to 111 million pieces a year, and exports represented around 94% of total sales in 2024.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria listed below.

MACROECONOMIC ASSUMPTIONS AND SECTOR FORECASTS

[Click here](#) to access Fitch's latest quarterly Global Corporates Macro and Sector Forecasts data file which aggregates key data points used in our credit analysis. Fitch's macroeconomic forecasts, commodity price assumptions, default rate forecasts, sector key performance indicators and sector-level forecasts are among the data items included.

ESG CONSIDERATIONS

Pan Brothers has an ESG Relevance Score of '5' for Management Strategy due to the impact of its strategy development and implementation in terms of working-capital management and funding. This has a negative impact on the credit profile, and is highly relevant to the rating, resulting in the weak liquidity position and high refinancing risk that underpin the rating.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⚡	RATING ⚡			RECOVERY ⚡	PRIOR ⚡
PT Pan Brothers Tbk	LT IDR	RD	Affirmed		RD

	Natl LT	RD(idn)	Affirmed		RD(idn)
PB International B.V.					
senior unsecured	LT	C	Affirmed	RR4	C

[VIEW ADDITIONAL RATING DETAILS](#)

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## **APPLICABLE CRITERIA**

[National Scale Rating Criteria \(pub. 23 Dec 2020\)](#)

[Country-Specific Treatment of Recovery Ratings Criteria \(pub. 04 Mar 2023\)](#)

[Corporates Recovery Ratings and Instrument Ratings Criteria \(pub. 03 Aug 2024\)](#)  
(including rating assumption sensitivity)

[Corporate Hybrids Treatment and Notching Criteria \(pub. 09 Apr 2025\)](#)

[Corporate Rating Criteria \(pub. 28 Jun 2025\)](#) (including rating assumption sensitivity)

[Sector Navigators – Addendum to the Corporate Rating Criteria \(pub. 28 Jun 2025\)](#)

## **APPLICABLE MODELS**

Numbers in parentheses accompanying applicable model(s) contain hyperlinks to criteria providing description of model(s).

Corporate Monitoring & Forecasting Model (COMFORT Model), v8.1.0 ([08 Apr 2025](#), [27 Jun 2025](#))

## **ADDITIONAL DISCLOSURES**

## ENDORSEMENT STATUS

PB International B.V.	EU Endorsed, UK Endorsed
PT Pan Brothers Tbk	EU Endorsed, UK Endorsed
PT Pan Brothers Tbk	EU Endorsed, UK Endorsed

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