Credit Alert | 27 February 2017

Pan Brothers – Cutting it fine

- **Pan's cost-plus pricing model has ensured relatively steady EBITDA margins of 6.4-7.7% since 2012**
- **However, large working capital deficits led to negative operating cash flow in 2015 and 2016**
- **We expect gross leverage to remain high at 4.6-4.8x in 2017 given capex spending of c.USD 40-45mn**
- **We believe the PBRXIJ 22 should trade c.60-80bps wider than the SRIRJK 21**

Bharat Shettigar +65 6596 8251
Bharat.Shettigar@sc.com
Head, Asia Ex-China Corporate Credit Research
Standard Chartered Bank, Singapore Branch

Credit fundamentals: PT Pan Brothers Tbk (Pan) is an Indonesian garment manufacturer that has developed strong relationships with leading clothing brands in the past few years. Its cost-plus pricing model has helped generate relatively steady EBITDA margins of 6.4-7.7% since 2012. It has also raised USD 131mn of equity since 2011, which has partly funded its large capex programme. However, its operating cash flow was negative in 2015 and 2016 on account of working capital outflows, primarily related to advance purchases of raw material. We do not expect operating cash flow to turn positive in 2017. This, combined with large capex for the 32% increase in capacity in 2017-18, will mean that gross leverage will likely be 4.6-4.8x in 2017 and 4.1-4.3x in 2018. That said, the company has funded its capex programme through issuance of the USD 200mn bond in January and has c.USD 100mn of undrawn secured credit facilities, which can be used to cover seasonal working capital fluctuations. We initiate coverage of Pan with a *Stable* credit outlook.

Valuations: The closest comparable for Pan is Sritex. As Figure 1 shows, Sritex compares favourably against Pan on most parameters such as size, vertical integration, EBITDA margins, financial metrics and ratings. However, Sritex's related-party transactions are a concern, which explains why the SRIRJK 21 (mid-YTM of 6.15%, Z+432bps) is trading wider than most other BB-/B+ credits in Asia. We believe that the PBRXIJ 22 (mid-YTM of 6.95%, Z+505bps) should trade around 60-80bps wider than the SRIRJK 21 (c.50-60bps for weaker credit quality and 10-20bps for slightly longer tenor). If market conditions remain conducive, the PBRXIJ 22 could reach the tight end of the range, which translates into a mid-YTM of c.6.75%.

Figure 1: Comparison with Sritex

	Pan Brothers		Sritex	
Market cap	USD 214.8mn		USD 421.2mn	
Ratings	B1/Sta; NR; B/Pos		B1/Pos; NR; BB-/Sta	
Value chain	Focused on garments (95% of revenue in 9M-2016)		Vertically integrated across spinning (40.2%), weaving (11.4%), finishing (24.1%) and garments (24.4%)	
Customers	Exports are c.90% of revenue Top 10 customers contribute 46.4% of revenue		Exports are c.48% of revenue Top 10 customers contribute 19.5% of revenue	
Margins and working capital	Steady EBITDA margins of 6.4-7.7% since 2012 Large working capital outflow in 2015-16		Steady EBITDA margins of 18.8-19.6% since 2013 Working capital situation has improved a bit	
Credit metrics	Negative FCF expected in 2017, with leverage at 4.6-4.8x USD 105mn cash and USD 100mn of undrawn facilities		Positive FCF expected in 2017, with leverage at 3.6-3.8x USD 76.6mn cash and USD 175mn of undrawn facilities	
Shareholders	Listed since 1990; equity raising in 2011 and 2014; JV with largest customer, Mitsubishi		Listed in 2013; related-party transactions are high and will likely increase going forward	
Financials (USD mn)	**2015**	**9M-2016**	**2015**	**9M-2016**
Revenue	418.6	372.4	622.0	498.7
EBITDA	28.5	28.8	117.6	93.8
Total assets	442.8	490.8	783.3	861.9
Total debt	140.5	177.0	451.6	499.1
Operating cash flow	(26.9)	(34.5)	58.8	27.1
Capex	(63.2)	(8.6)	(105.7)	(44.7)
Debt/capital (%)	39.4	43.9	62.0	61.9
Debt/EBITDA (x)	4.9	4.6	3.8	4.0

Source: Company reports, Standard Chartered Research

PT Pan Brothers Tbk (B1/Sta; NR; B/Pos)

Key credit considerations

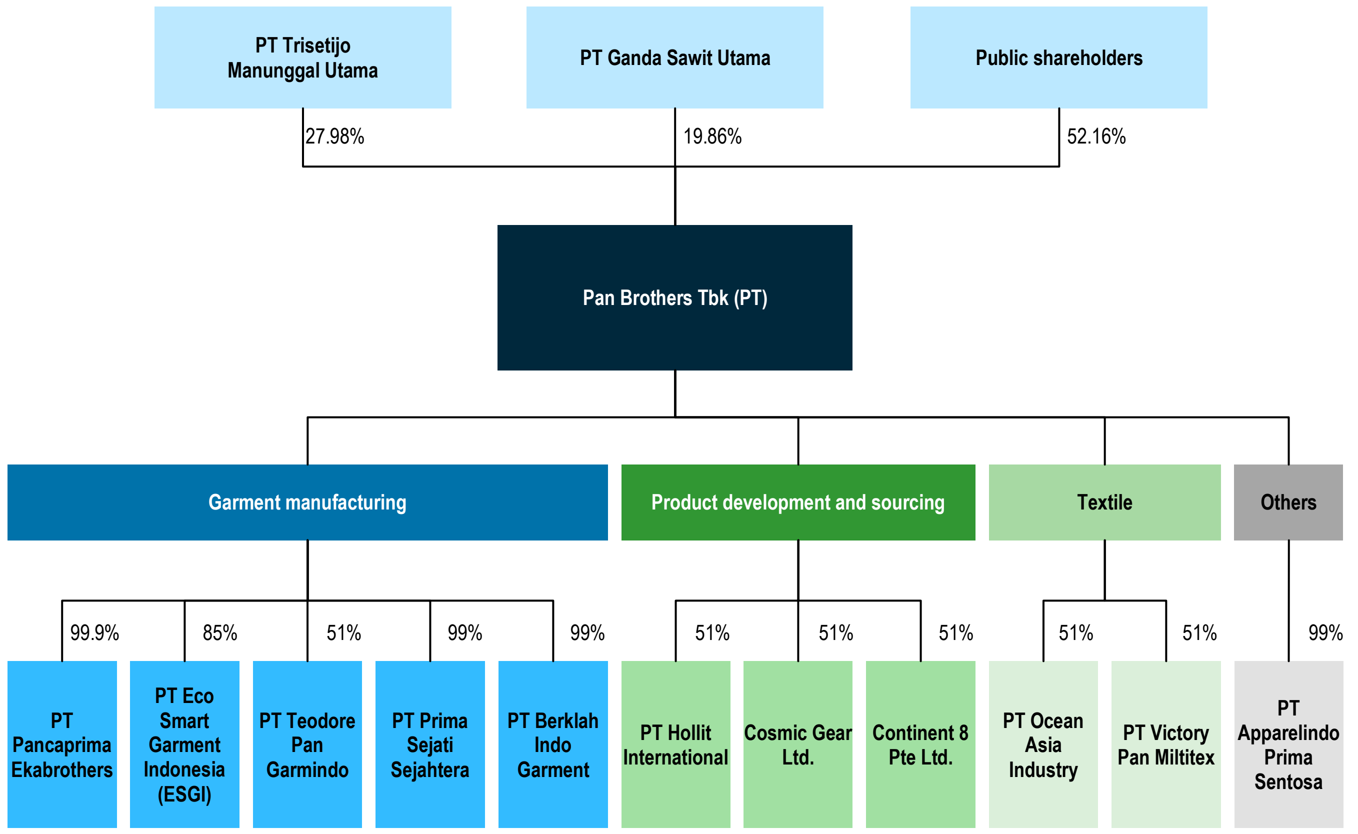
- **Strong customer base:** Pan's product range includes lifestyle wear for brands such as Calvin Klein Jeans, Express, H&M, J Crew, Lacoste and Tommy Hilfiger; active wear for brands such as Adidas, Nike, New Balance and Yonex; and performance wear for brands such as Arcteryx, Kathmandu, Salomon, Spyder and The North Face. Pan has longstanding customer relationships of 5-10 years with a number of these brands, and its made-to-order sales contracts provide good revenue visibility. The company's sales are geographically well diversified, with Asia accounting for 45.6% of 9M-FY16 revenue and the US and Europe accounting for 32.4% and 21.0%, respectively. That said, its two largest customers (Mitsubishi and The North Face) accounted for 35.7% of revenue and its top 10 customers accounted for 46.4% of revenue in 9M-FY16. Pan has set up a 85:15 JV (PT Eco Smart Garments Indonesia, ESGI) with Mitsubishi, which supplies apparel products primarily to Uniqlo in Japan. ESGI has built four production facilities with a capacity of 27mn pieces, while two more facilities with a capacity of 21mn pieces will be completed in 2018; as a result, Mitsubishi's share of revenue is expected to increase to c.30%. Pan has also set up other JVs to develop expertise in certain manufacturing techniques. It has a 51% JV for knit products and two JVs with Hollit for product development and sourcing.
- **Cost-plus pricing model:** Pan's customers typically forecast an order 12-18 months in advance and confirm the purchase order 90-180 days before the required delivery date. The contracts typically have a cost-plus pricing mechanism, which allows Pan to pass through fluctuations in raw material costs. While operating costs (especially labour) have been rising steadily in recent years, the company has been able to maintain consolidated EBITDA margins of 6.4-7.7% since 2012. Separately, the company considers USD as its functional currency since c.90% of its revenue is from exports and c.80% of its raw material (57.2% of operating costs in 9M-FY16) is imported. As a result, the company's profitability was not affected by the sharp movement in the IDR in 2015.
- **Large working capital outflows:** While Pan's EBITDA margins have been relatively steady, its working capital position has been weak, especially in 2015 and 2016. Apart from the usual seasonality in its business (raw material purchases are higher in H1 to cater to peak demand in H2), the company has made significant advance payments to secure raw material on behalf of some of its key customers. These advance payments amounted to USD 74.6mn in September 2016 compared to USD 1.4mn in December 2014, and the company's net working capital cycle (including advances) lengthened to 155 days in September 2016 from 77 days in December 2014. Given this, the company posted negative operating cash flow of USD 26.9mn in 2015 and USD 34.5mn in 9M-2016.
- **Capital spending:** Pan has undertaken a large capital spending programme since 2014 that has increased its capacity from 42mn pieces to 84mn pieces. Total capital spending during 2014, 2015 and 9M-2016 was USD 103.4mn, funded through a mix of debt and equity. The company plans to increase its capacity to 117mn pieces by 2019 by constructing the remaining two ESGI facilities (21mn pieces) and one factory in Tasik (12mn pieces). The expansion will improve the company's economies of scale and its bargaining power with suppliers, which could be beneficial for its working capital position. That said, the company's utilisation rate was only around 63% in 2016, and we expect a gradual improvement to around 70% in 2017. We expect total capex (including maintenance spending) of c.USD 40-45mn in 2017 and c.USD 10-15mn in 2018.
- **Financial metrics:** Pan's large capacity expansion boosted its sales volumes, resulting in revenue growth of 31.5% in 2015 and 16.2% in 9M-2016. Its EBITDA margins have been relatively steady in the past few years, and it has demonstrated an ability to raise equity to fund part of its capex (equity raising of USD 47.5mn in 2011 and USD 83.5mn in 2014, with participation from PT Trisetijo Manuggal Utama and PT Ganda Sawit Utama in both rounds). That said, large capex and working capital outflows resulted in gross debt increasing to USD 177mn in September 2016 from USD 78.7mn in 2013, while gross leverage deteriorated to 4.6x from 3.0x in 2013. We expect the company to post average revenue growth of around 13-15% in 2017-18 due to higher volumes and a steady ASP, while EBITDA margins will likely be in the 7.5-8.0% range. We expect operating cash flow to continue to be negative in 2017. However, Pan raised c.USD 36mn of additional funds through the USD bond issuance in January, which should help fund its remaining capex on the ESGI facilities. We expect an increase in gross leverage to 4.6-4.8x in 2017 and an improvement to 4.1-4.3x by 2018. The company targets to bring down net debt/EBITDA to c.2.5x in the medium term. Its dividend payout ratio has been 5-10% in recent years; we expect a gradual increase in the payout ratio over the next few years.
- **Debt structure and liquidity:** In 2015, Pan had entered into a USD 270mn secured credit facility of which USD 164.6mn was drawn down as of September 2016. The company also had USD 12.6mn of short-term bank loans on its books. It issued a USD 200mn unsecured bond in January, which is guaranteed by all its subsidiaries, including those in which it does not own a 100% stake. The company will reduce the secured credit facility to USD 110mn, which will be due in October 2018; c.USD 10-15mn will be drawn down initially, and higher drawings will be undertaken during the Q2/Q3 peak working capital period. Security for the credit facility will be certain fixed assets with a book value of c.USD 80mn (this does not include the ESGI assets, and any future capital spending will not be added to the collateral package). Given that the net book value of Pan's fixed assets was USD 120.4mn and its total asset base was USD 490.8mn as of September 2016, the USD bondholders do not face significant subordination risk. We see Pan's liquidity profile as being adequate. Of the USD 200mn bond proceeds, c.USD 151mn will be used for debt repayment, USD 7.6mn for the interest reserve account, and USD 5.1mn for issuance fees, while the remaining USD 36.3mn will be used for capex. We believe this will take care of the company's funding requirement for a large part of capex in 2017-18 (since operating cash flow will be negative in 2017). The company can also draw down on the USD 110mn secured credit facility in case it faces a seasonal fluctuation in working capital requirements. It has also demonstrated good access to several domestic and international banks in the past.
- **Ratings:** Moody's has a stable outlook on Pan's B1 ratings, and we believe a positive rating action is highly unlikely in the next 12 months. Fitch has rated Pan one notch lower at B, but has a positive outlook on the ratings. Its upgrade criteria include net debt/EBITDA of less than 3.5x and sustained neutral operating cash flow; we believe the company may be able to meet Fitch's upgrade criteria in 2018.

PT Pan Brothers Tbk (B1/Sta; NR; B/Pos)

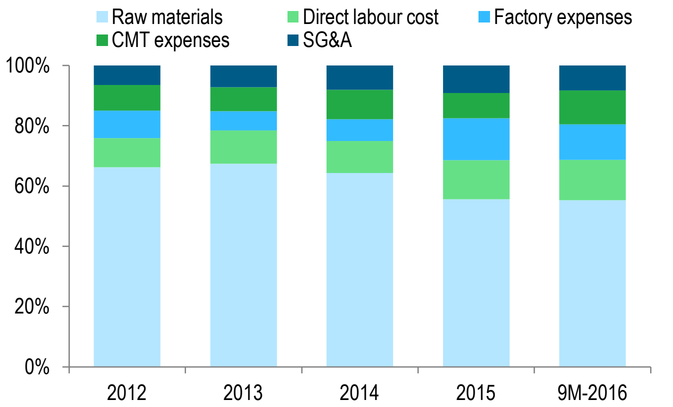
Company profile

PT Pan Brothers Tbk (Pan) is the largest manufacturer of garments in Indonesia. It has a total capacity of 84mn garments spread across 12 production facilities in Tangerang, Bandung, Boyolali, Demak, Ungaran and Sragen. Pan focuses primarily on garments, which accounted for 95% of revenue in 9M-FY16, with textile manufacturing accounting for the remaining 5%. In 9M-FY16, it derived 89.7% of revenue from exports to the US, Europe and various countries in Asia. Its customers include some of the largest global clothing retailers; in 9M-FY16, its top five customers – Mitsubishi Corp., The North Face Inc., Adidas AG, Salomon, and Hennes and Mauritz AB – accounted for 46.4% of revenue. Pan was established in 1980 and was listed on the Indonesian Stock Exchange in 1990. The company is 27.98% owned and controlled by PT Trisetijo Manuggal Utama, which is 81.8% owned by Ludijanto Setijo (the company's president director) and 18.2% by Anne Patricia Sutanto (the company's vice president director). The other large shareholder in Pan is PT Ganda Sawit Utama (19.86% stake), which is not involved in management but has one member on the Board of Commissioners. The remaining shares of the company are held by the public.

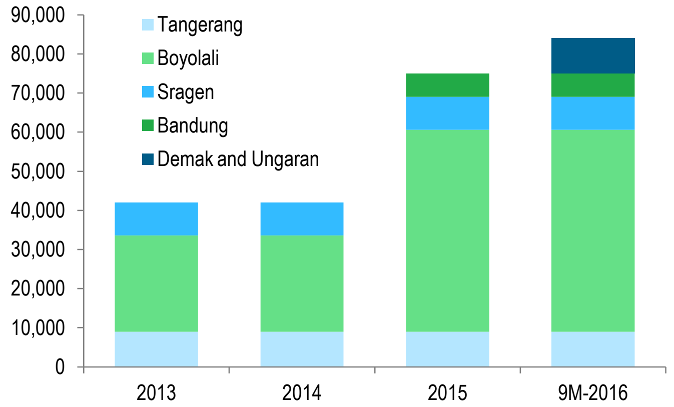
Organisation structure



Cost structure *(% of total cost)*

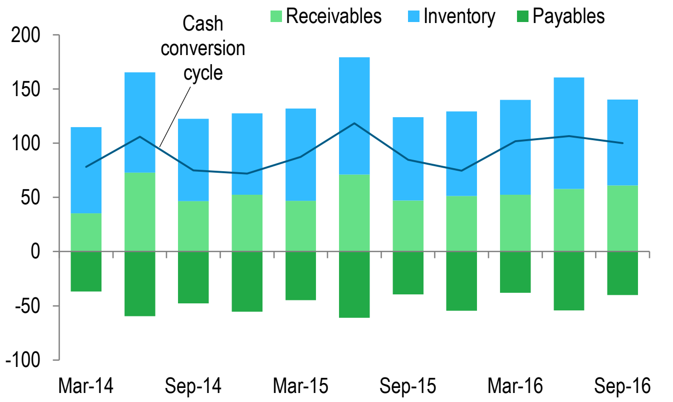


Capacity breakdown *('000 pieces)*

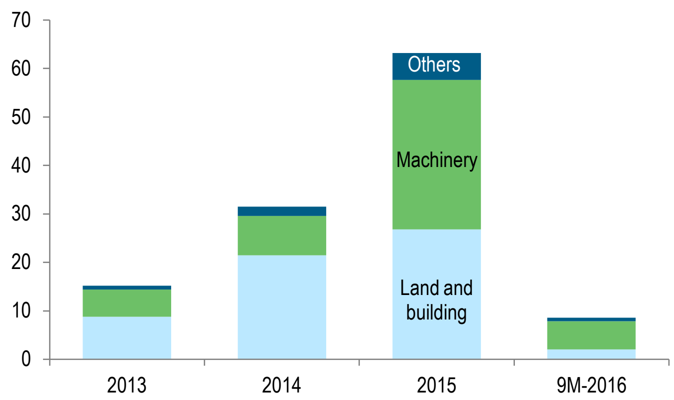


PT Pan Brothers Tbk (B1/Sta; NR; B/Pos)

Working capital cycle *(as days sales)*



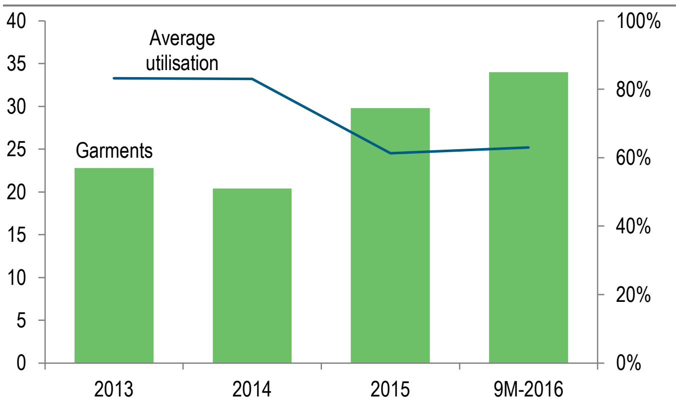
Capex breakdown *(USD mn)*



Rating agency triggers

	Upgrade	Downgrade
Moody's	Debt/EBITDA < 3.5x	Debt/EBITDA > 5.0x
	EBITA/interest > 3.5x	EBITDA/interest < 2.0x
		EBITDA margin < 5%
Fitch	Net debt/EBITDAR < 3.5x	Net debt/EBITDAR > 3.5x
	Neutral cash flow from operations	

Garment production and utilisation rate *(pieces, %)*



Financial summary

	2013	2014	2015	9M-16
Income statement (USD mn)				
Revenue	339.7	338.5	418.6	372.4
EBITDA	26.0	21.7	28.5	28.8
Gross interest expense	(5.2)	(6.7)	(7.3)	(7.4)
Profit before tax	12.7	12.9	11.5	14.3
Net income	10.6	9.6	9.4	12.8
Balance sheet (USD mn)				
Cash and equivalents	38.4	127.8	73.6	64.7
Total assets	234.1	367.3	442.8	490.8
Total debt	78.7	95.6	140.5	177.0
Net debt	40.3	(32.3)	66.9	112.3
Shareholders' equity	98.2	201.4	215.9	226.0

	2013	2014	2015	9M-16
Cash flow (USD mn)				
Net operating cash flow	22.0	18.6	(26.9)	(34.5)
Capex and investments	(15.2)	(31.6)	(63.2)	(8.6)
Free cash flow	6.8	(13.0)	(90.1)	(43.1)
Dividends	-	(0.1)	(0.5)	(1.0)
Key ratios				
EBITDA growth (%)	30.2	(16.7)	31.5	16.2
EBITDA margin (%)	7.7	6.4	6.8	7.7
Operating ROCE (%)	11.2	5.7	5.3	6.6
Total debt/capital (%)	44.5	32.2	39.4	43.9
Total debt/EBITDA (x)	3.0	4.4	4.9	4.6
Net debt/EBITDA (x)	1.6	(1.5)	2.3	2.9
RCF/debt (%)	23.6	11.9	13.0	13.6
EBITDA interest (x)	5.0	3.2	3.9	3.9

Revenue breakdown *(USD mn)*

	2012	2013	2014	2015	9M-2016
Revenue by segment					
Garments					
- Exports	271.7	315.9	305.4	362.3	328.8
- Local sales	0.0	0.0	7.2	27.6	25.0
Textiles					
- Exports	6.1	9.2	8.9	9.2	5.1
- Local sales	8.8	14.7	17.0	19.5	13.4
Revenue by geography					
US	88.2	101.8	86.2	118.4	120.6
Europe	100.5	102.7	98.1	83.2	78.2
Asia	95.2	132.6	150.4	212.6	169.8
Others	2.8	2.7	3.8	4.4	3.8

PT Pan Brothers Tbk (B1/Sta; NR; B/Pos)

Summary of covenants for 7.625% 2022 bonds

Issuer	PB International B.V
Parent/subsidiary guarantees	- Parent guarantor: PT Pan Brothers Tbk - Subsidiary guarantors: PT Pancaprima Ekabrothers, PB Apparel Pte Ltd., PT Prima Kreasi Gemilang, PT Prima Cosmic Screen Graphic, PT Eco Laundry Hijau Indonesia, PT Eco Smart Garment Indonesia, PT Hollit International, PT Ocean Asia Industry, Continent 8 Pte Ltd., Cosmic Gear Ltd., PT Teodore Pan Garmindo, PT Victory Pan Multitex, PT Prima Sejati Sejahtera, PT Apparelindo Prima Sentosa, PT Mitra Busana Sentosa, PT Apparelindo Mitra Andalan and PT Berkah Indo Garment - The consolidated assets of non-guarantor subsidiaries cannot exceed 10% of total assets at any time
Ranking	Pari passu in right of payment with all unsecured, unsubordinated obligations of the issuer Effectively subordinated to current and future secured obligations of the issuer and parent guarantor and all obligations of the non-guarantor subsidiaries
Security	A charge over the interest reserve account, which will hold one semi-annual coupon payment
Use of proceeds	USD 135mn for repayment of syndicated loans, USD 16mn for repayment of short-term loans, USD 7.6mn for interest reserve account, USD 5.1mn for issue expenses and the rest for general corporate purposes
Key covenants	
Permitted indebtedness	- No default and in line with incurrence test ratio - Indebtedness under credit facilities not to exceed USD 310mn minus the principal amount of USD bonds issued (existing credit facilities are deemed incurred under this carve-out) - Debt, capitalised lease obligations, mortgage financing or purchase money obligations for capex not to exceed the greater of USD 30mn or 5% of total assets - Non-guarantor subsidiary debt not to exceed 3% of total assets - General permitted indebtedness basket of USD 3mn
Restricted payments	- Dividend payment, repurchase of capital stock and repayment of subordinated debt are restricted - Restricted payment basket of 50% of consolidated net income plus 100% of cash proceeds from sale of equity plus 100% of amount received from conversion of convertible debt plus 100% of amount received from reduction in investments - Repurchase of minority stake in a restricted subsidiary allowed up to USD 5mn - General restricted payment basket of USD 5mn - USD 5mn threshold for trustee certification and fair market-value appraisal
Permitted investments	- Loans or advances to, or guarantees of obligations of employees not to exceed USD 2mn - Investments not exceeding the greater of USD 15mn or 3% of total assets
Sale/disposal of assets	- At least 75% of the consideration received consists of cash, temporary cash investments or replacement assets; a fairness opinion is required in case of replacement assets in excess of USD 5mn - 360-day deadline for use of sales proceeds to repay senior debt, invest in replacement assets - Excess proceeds above USD 10mn to be used for buying back USD bonds at 100 on a pro-rata basis
Affiliate transactions	- A board resolution is needed for transactions in excess of USD 5mn, and both a board resolution and a fairness opinion is required for transactions in excess of USD 10mn - General carve-out of USD 2mn in the normal course of business
Event of default	Cross-default basket of USD 5mn and a final judgment amount of USD 5mn
Test ratios	Fixed charge coverage ratio not less than 2.75x
Redemption options	
Call option	103.813 on 26 January 2020, 101.906 on 26 January 2021
Change of control	101% – If any person or group becomes beneficial owner of more than 50% of voting stock or if any person or group owns voting stock higher than the permitted holders (who currently own a 27.98% stake)
Tax call	100% – If the issuer or parent guarantor would be required by law to pay additional amounts as a result of a change in the withholding tax rate
Make-whole price	At T+50 prior to 26 January 2020
Equity claw back	35% of principal amount at 107.625 prior to 26 January 2020
Other clauses	- Certain covenants to be suspended in case the bonds are rated investment grade - Q1 and Q3 financial statements to be provided within 60 days, Q2 within 90 days and Q4 within 120 days

Source: Company reports, Standard Chartered Research

Material changes to our views

	Change	Period	Prior	New
Credit*				
PT Pan Brothers Tbk	Standard Chartered outlook	NA	NA	STABLE

*These changes are not reflected in the credit trend distribution table in this document. They will be reflected in the next Credit Research report.

Disclosures appendix

Recommendations structure

	Standard Chartered terminology	Impact	Definition
Issuer – Credit outlook	Positive	Improve	We expect the fundamental credit profile of the issuer to <Impact> over the next 12 months
	Stable	Remain stable	
	Negative	Deteriorate	

Standard Chartered Research offers trade ideas with outright Buy or Sell recommendations on bonds as well as pair trade recommendations among bonds and/or CDS. In Trading Recommendations/Ideas/Notes, the time horizon is dependent on prevailing market conditions and may or may not include price targets.

Credit trend distribution (as of 27 February 2017)

	Coverage total	(IB%)
Positive	4	(25.0%)
Stable	289	(26.0%)
Negative	78	(33.3%)
Total (IB%)	**371**	**(27.5%)**

For recommendations history from both Research and other departments within SCB in the past 12 months, please see https://www.sc.com/en/banking-services/market-abuse-regulation-disclosures/.

For other information of any securities referred to herein are available upon request to scgr@sc.com.

Credit trend history

Company	Date	Credit Outlook
PT Sri Rejeki Isman Tbk	4-May-2016	STABLE

Please see the individual company report for other credit trend history

Regulatory Disclosure:

Subject companies: PT Pan Brothers Tbk and PT Sri Rejeki Isman Tbk

Analyst Certification Disclosure: The research analyst or analysts responsible for the content of this research report certify that: (1) the views expressed and attributed to the research analyst or analysts in the research report accurately reflect their personal opinion(s) about the subject securities and issuers and/or other subject matter as appropriate; and, (2) no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendations or views contained in this research report. On a general basis, the efficacy of recommendations is a factor in the performance appraisals of analysts.

distributed in India by Standard Chartered Bank, India Branch ("SCB India"). SCB India is a branch of SCB, UK and is licensed by the Reserve Bank of India to carry on banking business in India. SCB India is also registered with Securities and Exchange Board of India in its capacity as Merchant Banker, Investment Advisor, Depository Participant, Bankers to an Issue, Custodian etc. For details on group companies operating in India, please visit *https://www.sc.com/in/india_result.html*. The particulars contained in this document are for information purposes only. This document does not constitute an offer, recommendation or solicitation to any person to execute any transaction with SCB India. Certain information or trade ideas in this document may not be specifically permissible under Indian regulations; hence, users of this document should seek professional legal advice before acting on any information. **Indonesia:** The information in this document is provided for information purposes only. It does not constitute any offer, recommendation or solicitation to any person to enter into any transaction or adopt any hedging, trading or investment strategy, nor does it constitute any prediction of likely future movements in rates or prices or represent that any such future movements will not exceed those shown in any illustration. **Japan:** This document is being distributed to Specified Investors, as defined by the Financial Instruments and Exchange Law of Japan (FIEL), for information only and not for the purpose of soliciting any Financial Instruments Transactions as defined by the FIEL or any Specified Deposits, etc. as defined by the Banking Law of Japan. **Kenya:** Standard Chartered Bank Kenya Limited is regulated by the Central Bank of Kenya. This document is intended for use only by Professional Clients and should not be relied upon by or be distributed to Retail Clients. **Korea:** This document is being distributed in Korea by, and is attributable to, Standard Chartered Bank Korea Limited which is regulated by the Financial Supervisory Service and Financial Services Commission. **Macau:** This document is being distributed in Macau Special Administrative Region of the Peoples' Republic of China, and is attributable to, Standard Chartered Bank (Macau Branch) which is regulated by Macau Monetary Authority. **Malaysia**: This document is being distributed in Malaysia by Standard Chartered Bank Malaysia Berhad only to institutional investors or corporate customers. Recipients in Malaysia should contact Standard Chartered Bank Malaysia Berhad in relation to any matters arising from, or in connection with, this document. **Mauritius:** Standard Chartered Bank (Mauritius) is regulated by both the Bank of Mauritius and the Financial Services Commission in Mauritius. This document should not be construed as investment advice or solicitation to enter into securities transactions in Mauritius as per Securities Act 2005. **New Zealand:** New Zealand Investors should note that this document was prepared for "wholesale clients" only within the meaning of section 5C of the Financial Advisers Act 2008. This document is not directed at persons who are "retail clients" as defined in the Financial Advisers Act 2008. This document does not form part of any offer to the public in New Zealand. NOTE THAT STANDARD CHARTERED BANK (incorporated in England) IS NOT A "REGISTERED BANK" IN NEW ZEALAND UNDER THE RESERVE BANK OF NEW ZEALAND ACT 1989, and it is not therefore regulated or supervised by the Reserve Bank of New Zealand. **Pakistan:** The securities mentioned in this report have not been, and will not be, registered in Pakistan, and may not be offered or sold in Pakistan, without prior approval of the regulatory authorities in Pakistan. **Philippines:** This document may be distributed in the Philippines by, Standard Chartered Bank (Philippines) which is regulated by the Bangko Sentral ng Pilipinas (Telephone No. (+63) 708-7701, Website: www.bsp.gov.ph). This document is for information purposes only and does not constitute, and should not be construed as an offer to sell or distribute in the Philippines securities that are not registered with the Securities and Exchange Commission unless such securities are exempt under Section 9 of the Securities Regulation Code or such offer or sale qualifies as an exempt transaction under Section 10 thereof. **Singapore:** This document is being distributed in Singapore by SCB Singapore branch and/or Standard Chartered Bank (Singapore) Limited, provided that research reports relating to certain products may be distributed only to accredited investors, expert investors or institutional investors, as defined in the Securities and Futures Act, Chapter 289 of Singapore. Recipients in Singapore should contact SCB Singapore branch or Standard Chartered Bank (Singapore) Limited (as the case may be) in relation to any matters arising from, or in connection with, this document. **South Africa:** SCB is licensed as a Financial Services Provider in terms of Section 8 of the Financial Advisory and Intermediary Services Act 37 of 2002. SCB is a Registered Credit Provider in terms of the National Credit Act 34 of 2005 under registration number NCRCP4. **Thailand:** This document is intended to circulate only general information and prepare exclusively for the benefit of Institutional Investors with the conditions and as defined in the Notifications of the Office of the Securities and Exchange Commission relating to the exemption of investment advisory service, as amended and supplemented from time to time. It is not intended to provide for the public. **UAE:** For residents of the UAE – Standard Chartered Bank UAE does not provide financial analysis or consultation services in or into the UAE within the meaning of UAE Securities and Commodities Authority Decision No. 48/r of 2008 concerning financial consultation and financial analysis. **UAE (DIFC):** SCB is regulated in the Dubai International Financial Centre by the Dubai Financial Services Authority. This document is intended for use only by Professional Clients and Market Counterparties and should not be relied upon by or be distributed to Retail Clients. **United States:** Except for any documents relating to foreign exchange, FX or global FX, Rates or Commodities, distribution of this document in the United States or to US persons is intended to be solely to major institutional investors as defined in Rule 15a-6(a)(2) under the US Securities Exchange Act of 1934. All US persons that receive this document by their acceptance thereof represent and agree that they are a major institutional investor and understand the risks involved in executing transactions in securities. Any US recipient of this document wanting additional information or to effect any transaction in any security or financial instrument mentioned herein, must do so by contacting a registered representative of Standard Chartered Securities (North America) Inc., 1095 Avenue of the Americas, New York, N.Y. 10036, US, tel + 1 212 667 0700. WE DO NOT OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS EITHER (A) THOSE SECURITIES ARE REGISTERED FOR SALE WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION AND WITH ALL APPROPRIATE U.S. STATE AUTHORITIES; OR (B) THE SECURITIES OR THE SPECIFIC TRANSACTION QUALIFY FOR AN EXEMPTION UNDER THE U.S. FEDERAL AND STATE SECURITIES LAWS NOR DO WE OFFER OR SELL SECURITIES TO U.S. PERSONS UNLESS (i) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL ARE PROPERLY REGISTERED OR LICENSED TO CONDUCT BUSINESS; OR (ii) WE, OUR AFFILIATED COMPANY AND THE APPROPRIATE PERSONNEL QUALIFY FOR EXEMPTIONS UNDER APPLICABLE U.S. FEDERAL AND STATE LAWS. Any documents relating to foreign exchange, FX or global FX, Rates or Commodities to US Persons, Guaranteed Affiliates, or Conduit Affiliates (as those terms are defined by any Commodity Futures Trading Commission rule, interpretation, guidance, or other such publication) are intended to be distributed only to Eligible Contract Participants are defined in Section 1a(18) of the Commodity Exchange Act. **Zambia:** Standard Chartered Bank Zambia Plc is licensed and registered as a commercial bank under the Banking and Financial Services Act Cap 387 of the laws of Zambia and is regulated by the Bank of Zambia, the Lusaka Stock Exchange and the Securities Exchange Commission.

Document approved by
Kaushik Rudra
Head, Rates & Credit Research

Document is released at
02:52 GMT 27 February 2017