

## RATING REPORT

# Pakistan Telecommunication Company Limited (PTCL)

**REPORT DATE:**

March 11, 2025

**RATING ANALYSTS:**

Abdul Ahad Jamsa

[ahad.jamsa@vis.com.pk](mailto:ahad.jamsa@vis.com.pk)

M. Amin Hamdani

[amin.hamdani@vis.com.pk](mailto:amin.hamdani@vis.com.pk)**RATING DETAILS**

Rating Category	Sukuk Rating
Short-term Sukuk VIII	A1+
Rating Date	March 11, 2025
Rating Action	Final

**COMPANY INFORMATION**

Incorporated in 1995

External auditors: EY Ford Rhodes

Public Listed Company

**Key Shareholders (with stake 5% or more):**

The Government of Pakistan (62.18%)

Etisalat International Pakistan (26%)

**President & CEO:** Mr. Hatem Mohamed Bamatraf**Chairman:** Mr. Azfar Manzoor**Board of Directors:**

- Mr. Abdulrahim A. Al Nooryani
- Mr. Ahad Khan Cheema
- Mr. Khaled Hegazy
- Mr. Imad Ullah Bosal
- Dr. Mohamed Karim Bennis
- Ms. Brooke Marie Lindsay
- Mr. Khalid Murshed
- Mr. Jawad Paul Khawaja

**APPLICABLE METHODOLOGY(IES)****Industrial Corporates**<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>**Rating the Issue**<https://docs.vis.com.pk/docs/Rating-the-Issue-Aug-2023>**VIS Issue/Issuer Rating Scale**<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

## Pakistan Telecommunication Company Limited

## OVERVIEW OF THE INSTITUTION

**Pakistan Telecommunication Company Limited (PTCL)**, originally established as a state-owned corporation (PTC), was incorporated in 1995. PTCL is a major provider of telecommunication services in Pakistan, with an extensive network infrastructure and facilities that enable widespread service coverage across the country.

**Profile of CEO**

Hatem Bamatraf occupies the position of President & Group Chief Executive Officer at PTCL And PTML Telecommunication Co. Ltd.) and President & Group CEO-PTCL & Ufone at Emirates Telecommunications Group Co. PJSC. He previously was Executive Director-Technology at Etihad Etisalat Co., Chairman for Etisalat Technology Services LLC, and Chief Technology Officer at Emirates telecommunications Group Co. PJSC and Executive Vice President-Enterprise at Emirates Integrated Telecommunications Co. PSJC. He received an undergraduate degree from Etisalat University College.

## RATING RATIONALE

**Corporate Profile:**

Pakistan Telecommunication Company Limited (“PTCL”, “the Company”) was incorporated in Pakistan on December 31, 1995 and commenced business on January 01, 1996. The Company, which is listed on the Pakistan Stock Exchange Limited (PSX), was established to undertake the telecommunication business formerly carried on by the Pakistan Telecommunication Corporation (PTC).

The registered office of the Company is situated at PTCL Headquarters, Ufone Tower, Plot No. 55-C, Main Jinnah Avenue, Sector F-7/1, Blue Area Islamabad. The Company provides telecommunication services in Pakistan. It owns and operates telecommunication facilities and provides domestic and international telephone services and other communication facilities throughout Pakistan. The Company has also been licensed to provide such services in the territories of Azad Jammu and Kashmir and Gilgit-Baltistan.

**Issued Short-Term Sukuk-VIII (‘STS-8’):**

- PTCL issued a rated, unsecured, privately placed Sukuk (STS-8), of PKR 5 billion on December 17<sup>th</sup>, 2024.
- The Sukuk will be issued at a face value of PKR 1,000,000 each or in multiples thereof.
- The proceeds from the issue will be utilized to finance the working capital requirements of the Company.
- The Sukuk employs a Musharakah structure, relying on Shirkat-ul-Aqd for participation in PTCL's service and trade activities.
- Tenor of the instrument is up to six (06) months from the date of drawdown.
- The Sukuk is callable after three months from the issue date.
- Profit rate on the instrument is set at 3 Month KIBOR + 0% and is payable at the time of the maturity of the Sukuk along with the principal payment.

**Key Rating Drivers:****The rating takes into account Strong Sponsor profile**

The assigned rating incorporates the strong sponsor profile, with the Government of Pakistan (GoP) holding a major shareholding of 62.2% while the Etisalat Group owning a 26% equity stake in the Company. Etisalat, with 48 years of operational experience, is one of the world's largest telecom operators, with a presence in 32 countries and 2 continents. Although Etisalat Group, being a significant minority shareholder, also has management rights of PTCL. The ratings also factor in the Government of Pakistan as sponsor, and its past precedent of unwavering financial and logistical support to its entities as well as management and financial expertise of Etisalat Group, which holds credit ratings of AA- from S&P and Aa3 from Moody's.

**The rating incorporates leading market positions of PTCL in Fixed-Line Voice and Wireline Broadband & IPTV and Revenue Base Diversification**

The Company offers a diverse range of products and services, including voice services, broadband internet, Fiber to the Home (FTTH), Charji wireless internet, Smart TV (IPTV), Smart Link App, Touch App, and digital content streaming via Starzplay. It also provides enterprise solutions such as Smart Cloud, Tier-3 Certified Data Centers, and Managed and Satellite Services. The ratings are supported by PTCL's strong market leadership in Fixed-line Voice, Wireline Broadband, and IPTV. With a strategic focus on upgrading its existing customer base to premium FTTH services. PTCL has the largest and state of the art International Submarine Cable network comprising of three diverse routes cables i.e., AAE1, SMW4, IMEWE and one new sea cable (Africa-1) in pipeline, PTCL is well positioned to serve the data needs of the country. The Company is also concentrating on growing its wholesale and corporate business segments to drive future growth.

**Sound Corporate Governance Framework**

- In accordance with the provisions of Share Purchase Agreement between Government of Pakistan (GOP) and Etisalat Group as well as under the Articles of Associations of PTCL, the GOP has four nominees while strategic investor, Etisalat Group, has five nominees on the Board. All members are non-executive directors.
- A formal and effective mechanism is put in place for an annual evaluation of the Board's own performance and of its committees.
- Management team comprises qualified personnel and is supported by a well-designed organizational structure which has been made significantly leaner through 3 Voluntary Separation Schemes undertaken during the decade.

PTCL has implemented an SAP-based Enterprise Resource Planning system. Detailed and timely annual report disclosures bode well from a transparency perspective and provide important information to stakeholders.

<b>Financial Summary</b>		<i>(Amount in Million)</i>			
<b><u>BALANCE SHEET</u></b>	<b>Dec'21</b>	<b>Dec'22</b>	<b>Dec'23</b>	<b>9M'24</b>	
Property, Plant & Equipment	121,508	131,490	144,018	158,213	
Long-term Investments	30,736	44,736	71,836	74,236	
Long-term Loan	9,077	20,181	32,225	45,411	
Trade Debts	27,937	39,293	52,587	57,765	
Loans and advances	4,931	5,344	4,628	5,026	
Cash & Bank Balances	2,556	5,685	10,029	11,614	
Other Assets	48,989	58,430	72,278	78,850	
<b>Total Assets</b>	<b>245,735</b>	<b>305,159</b>	<b>387,602</b>	<b>431,115</b>	
Trade and Other Payables	103,320	125,101	141,424	150,584	
Short Term Borrowings	-	93	19,215	20,336	
Short Term Sukuks	-	-	5,000	22,500	
Long-Term Borrowings <i>(Inc. current maturity)</i>	1,729	24,068	52,703	63,099	
Deferred Liabilities	11,517	16,103	15,081	16,785	
Other Liabilities	29,516	31,741	36,811	39,444	
<b>Total Liabilities</b>	<b>146,082</b>	<b>197,105</b>	<b>270,234</b>	<b>312,748</b>	
Issued, Subs, and Paid-Up Capital	51,000	51,000	51,000	51,000	
Equity	<b>99,653</b>	<b>108,054</b>	<b>117,368</b>	<b>118,368</b>	
<b><u>INCOME STATEMENT</u></b>	<b>Dec'21</b>	<b>Dec'22</b>	<b>Dec'23</b>	<b>9M'24</b>	
Net Sales	76,853	83,444	96,267	79,536	
Gross Profit	16,533	18,233	20,165	20,109	
Operating Profit	10,021	15,684	24,275	18,716	
Profit Before Tax	9,682	13,513	13,906	1,469	
Profit After Tax	6,874	9,053	9,391	1,000	
FFO	27,784	29,617	29,018	18,308	
<b><u>RATIO ANALYSIS</u></b>	<b>Dec'21</b>	<b>Dec'22</b>	<b>Dec'23</b>	<b>9M'24</b>	
Gross Margin (%)	21.5%	21.9%	20.9%	25.3%	
Net Margin (%)	8.9%	10.8%	9.8%	1.3%	
FFO to Long-Term Debt*	16.07	1.23	0.55	0.39	
FFO to Total Debt*	16.07	1.23	0.40	0.29	
Debt Servicing Coverage Ratio (x)*	36.49	11.80	3.48	1.71	
ROAA (%) *	2.8%	3.3%	2.7%	0.3%	
ROAE (%) *	6.9%	8.7%	8.3%	1.1%	
Gearing (x)	0.02	0.22	0.61	0.70	
Debt Leverage (x)	1.47	1.82	2.30	2.64	
Current Ratio	0.76	0.83	0.80	0.74	
Inventory + Receivables/Short-term Borrowings	N/A	424.43	2.74	2.84	
Cash Conversion Cycle	47.33	59.01	91.02	118.11	

\*Annualized

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>	
<b>Name of Rated Entity</b>	Pakistan Telecommunication Company Limited		
<b>Sector</b>	Telecommunication Industry		
<b>Type of Relationship</b>	Solicited		
<b>Purpose of Rating</b>	Short-term Sukuk VIII Rating		
<b>Rating History</b>	<b>Rating Date</b>	<b>Ratings</b>	<b>Rating Action</b>
	<b>Short Term Sukuk VIII</b>		
	<b>March 11, 2025</b>	<b>A1+</b>	<b>Final</b>
	December 12, 2024	A1+	Preliminary
<b>Instrument Structure</b>	PTCL issued a rated, unlisted, unsecured, callable after three months from issue date, privately placed Short-Term Sukuk (STS-8) of PKR 5 billion on December 17, 2024, structured in accordance with Shariah principles. The funds will be utilized to meet the Company's working capital requirements. The Sukuk has a tenor of six months from the drawdown date. Profit will be payable at maturity, calculated at a base rate of 3-Month KIBOR plus 0%.		
<b>Statement by the Rating Team</b>	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.		
<b>Probability of Default</b>	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.		
<b>Disclaimer</b>	Information herein was obtained from sources believed to be accurate and reliable; however, VIS does not guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. For conducting this assignment, analyst did not deem necessary to contact external auditors or creditors given the unqualified nature of audited accounts and diversified creditor profile. Copyright 2025 VIS Credit Rating Company Limited. All rights reserved. Contents may be used by news media with credit to VIS.		
<b>Due Diligence Meetings Conducted</b>	N/A		