

## RATING REPORT

Pakistan Telecommunication Company Limited  
(PTCL)**REPORT DATE:**

December 30, 2024

**RATING ANALYSTS:**

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## RATING DETAILS

Rating Category	Preliminary Sukuk Rating
Short-term Sukuk IX	A1+ (plim)
Rating Date	December 30, 2024
Rating Action	Preliminary

## COMPANY INFORMATION

Incorporated in 1995

External auditors: KPMG Taseer Hadi &amp; Co.

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**Board of Directors:**

- Azfar Manzoor (Chairman)
- Abdulrahim A. Al Nooryani
- Khalid Murshed
- Ms. Brooke Lindsay
- Mr. Jawad Paul Khawaja
- Dr. Mohamed Karim Bennis
- Mr. Imad Ullah Bosal
- Ahad Khan Cheema
- Khalid Hegazy

## 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

## RATING RATIONALE

**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.

In 2006, PTCL was privatized through the sale of Class B shares. Etisalat International Pakistan (EIP), a 90% owned subsidiary of the Etisalat Group, emerged as the highest bidder, acquiring a 26% equity stake in PTCL along with management control. Each Class B share carries four voting rights specifically for the election of directors. The majority ownership remains with the Government of Pakistan (GoP), which retains 62% of the total shares in PTCL.

**Corporate Profile:**

Pakistan Telecommunication Company Limited (PTCL or "the Company"), originally established as a state-owned entity under the Pakistan Telecommunication Corporation (PTC), was incorporated on December 31, 1995, and commenced operations on January 1, 1996. PTCL is listed on the Pakistan Stock Exchange (PSX) and was formed to take over the telecommunication business previously managed by PTC. The Company's registered office is located at the PTCL Head Office in Islamabad.

The Company is a leading provider of telecommunication services in Pakistan, owning and operating extensive telecommunication infrastructure across the country. It offers a wide range of domestic and international telephone and communication services. Additionally, the Company is licensed to provide these services in the regions of Azad Jammu and Kashmir and Gilgit Baltistan. The Company's portfolio includes wholly owned subsidiaries such as Pak Telecom Mobile Limited (UFONE), a prominent mobile service provider, and U-Microfinance Bank Limited, which operates in the microfinance banking sector.

**Short-Term Sukuk-9 ('STS-9'):**

- PTCL plans to issue a rated, unsecured, privately placed Short Term Sukuk (STS-9), up to PKR 2.5 bln to finance the working capital requirements.
- The Sukuk will employ a suitable shariah compliant mode of short-term Islamic Finance facility.
- Tenor of the instrument is up to six (06) months from the date of issuance.
- The Sukuk is callable in full or part the outstanding face value of the Sukuk after three months from the issue date.
- Profit rate on the instrument will be 3 Month KIBOR+ 0%.
- Profit is payable at the time of the maturity of the Sukuk along with the principal payment.

**Key Rating Drivers:****Strong Sponsors & Management Profile**

The assigned rating incorporates the strong sponsor profile, with the Government of Pakistan (GoP) holding a major shareholding of 62.2% and the Etisalat Group owning a 26% equity stake in the Company. Etisalat, with 46 years of operational experience, is one of the world's largest telecom operators, with a presence in 16 countries. Besides being a significant minority shareholder, Etisalat Group also exercises management control over PTCL. The ratings also factor in the financial strength and management

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expertise of Etisalat Group, which holds credit ratings of AA- from S&P and Aa3 from Moody's.

**The rating incorporates leading market positioning 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 expanded its fiber network to 65,000 km, making it the largest FTTH operator in the country. The Company is also concentrating on growing its wholesale and corporate business segments to drive future growth.

**Medium business risk profile characterized by low cyclicity, highly capital intensive nature, and high barriers to entry**

The ratings are further supported by the medium business risk profile of the telecom sector, driven by the industry's non-cyclical nature, the reliance of other operators on the Company's infrastructure, and the low sensitivity of operations to inflationary pressures. Additionally, the business risk profile takes into account the capital-intensive and highly regulated nature of the sector, which serves as a significant barrier to entry for new competitors.

**Sound Corporate Governance Framework**

- According to the provisions of the Share Purchase Agreement between the Government of Pakistan (GoP) and Etisalat Group, as well as the Articles of Association of PTCL, the Board of Directors comprises nine members, with four nominees representing the GoP and five nominees from the strategic investor, Etisalat Group. All board members are non-executive directors.
  - A formal and effective mechanism has been established for the annual evaluation of the Board's performance, as well as that of its committees.
  - The management team consists of qualified professionals supported by a well-structured organizational framework, which has been streamlined significantly through three Voluntary Separation Schemes executed over the past decade.
  - PTCL has also implemented a SAP-based Enterprise Resource Planning (ERP) system. The Company's detailed and timely annual report disclosures enhance transparency and provide valuable information to stakeholders.
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<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
Loan 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	24,215	42,836
Long-Term Borrowings <i>(Inc. current matur)</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
<b>Equity</b>		<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	0.38	0.23
Debt Servicing Coverage Ratio (x)*		36.49	11.80	3.48	1.71
ROAA (%)*		2.9%	3.3%	2.7%	0.3%
ROAE (%)*		7.1%	8.4%	8.0%	1.1%
Gearing (x)		0.02	0.22	0.66	0.89
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	2.17	1.35
Cash Conversion Cycle		51.02	71.35	119.20	132.23

\*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 IX Rating		
<b>Rating History</b>	<b>Rating Date</b>	<b>Ratings</b>	<b>Rating Action</b>
	<b>Short Term Sukuk IX</b>		
	30/12/2024	A1+ (plim)	Preliminary
<b>Instrument Structure</b>	Pakistan Telecommunication Company Limited (“PTCL” or the “Company”) intends to issue a Rated, Unlisted, Unsecured, Callable after three months from issue date and Privately Placed Short Term Sukuk (STS-9) of PKR 2.5 bln, based on Shariah compliant Structure. The funds will be will be utilized for fulfilling the working capital requirements of the Company. The issue has a tenor of six (06) months from the Issuance Date. Profit will be payable at the maturity.		
<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.		
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<b>Due Diligence Meetings Conducted</b>	N/A		