

RATING REPORT

Pakistan Telecommunication Company Limited (PTCL)

REPORT DATE:

April 30, 2025

RATING ANALYSTS:

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RATING DETAILS

Rating Category	Sukuk Rating	Previous Rating
Short-term Sukuk XI	A1+	A1+(plim)
Rating Date	April 30, 2025	March 12, 2025
Rating Action	Final	Preliminary

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. Zarrar Hasham Khan

Board of Directors:

- Mr. Abdulrahim A. Al Nooryani
- Mr. Ahad Khan Cheema
- Mr. Khaled Hegazy
- Mr. Imad Ullah Bosal
- Mr. Marwan Bin Shakar
- Ms. Brooke Marie Lindsay
- Mr. Nazih El Hassaneih
- 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-XI ('STS-11'):

- PTCL issued a rated, unsecured, privately placed Short Term Sukuk (STS-11), up to PKR 5 billion to finance the working capital requirements.
- The Sukuk will be issued at a face value of PKR 1,000,000 each or in multiples thereof.
- 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+ 0.05%.
- Profit 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.

Pakistan Telecommunication Company Limited
Annexure I

Financial Summary		(Amount in Million)			
BALANCE SHEET	Dec'21	Dec'22	Dec'23	Dec'24	
Property, Plant & Equipment	121,508	131,490	144,018	161,173	
Long-term Investments	30,736	44,736	71,836	76,236	
Long-term Loan	9,077	20,181	32,225	51,781	
Trade Debts	27,937	39,293	52,587	60,563	
Loans and advances	4,931	5,344	4,628	2,779	
Cash & Bank Balances	2,556	5,685	10,029	12,088	
Other Assets	48,989	58,430	72,278	93,067	
Total Assets	245,735	305,159	387,602	457,686	
Trade and Other Payables	103,320	125,101	141,424	169,319	
Short Term Borrowings	-	93	19,215	27,117	
Short Term Sukuks	-	-	5,000	20,000	
Long-Term Borrowings (Inc. current maturity)	1,729	24,068	52,703	64,464	
Deferred Liabilities	11,517	16,103	15,081	16,722	
Other Liabilities	29,516	31,741	36,811	44,957	
Total Liabilities	146,082	197,105	270,234	342,579	
Issued, Subs, and Paid-Up Capital	51,000	51,000	51,000	51,000	
Equity	99,653	108,054	117,368	115,108	
INCOME STATEMENT	Dec'21	Dec'22	Dec'23	Dec'24	
Net Sales	76,853	83,444	96,267	107,766	
Gross Profit	16,533	18,233	20,165	28,276	
Operating Profit	10,021	15,684	24,275	29,474	
Profit Before Tax	9,682	13,513	13,906	6,885	
Profit After Tax	6,874	9,053	9,391	4,826	
FFO	27,784	29,617	29,018	28,872	
RATIO ANALYSIS	Dec'21	Dec'22	Dec'23	Dec'24	
Gross Margin (%)	21.5%	21.9%	20.9%	26.2%	
Net Margin (%)	8.9%	10.8%	9.8%	4.5%	
FFO to Long-Term Debt*	16.07	1.23	0.55	0.60	
FFO to Total Debt*	16.07	1.23	0.40	0.43	
Debt Servicing Coverage Ratio (x)*	36.49	11.80	3.48	2.62	
ROAA (%) *	2.8%	3.3%	2.7%	1.5%	
ROAE (%) *	6.9%	8.7%	8.3%	5.5%	
Gearing (x)	0.02	0.22	0.61	0.77	
Debt Leverage (x)	1.47	1.82	2.30	2.98	
Current Ratio	0.76	0.83	0.80	0.73	
Inventory + Receivables/Short-term Borrowings	N/A	424.43	2.74	2.46	
Cash Conversion Cycle	47.33	59.01	91.02	90.04	

*Annualized

REGULATORY DISCLOSURES		Appendix II	
Name of Rated Entity	Pakistan Telecommunication Company Limited		
Sector	Telecommunication Industry		
Type of Relationship	Solicited		
Purpose of Rating	Short-term Sukuk XI Rating		
Rating History	Rating Date	Ratings	Rating Action
	Short Term Sukuk XI		
	April 30, 2025	A1+	Final
	March 12, 2025	A1+	Preliminary
Instrument Structure	Pakistan Telecommunication Company Limited (“PTCL” or the “Company”) issued a rated, unlisted, unsecured, and privately placed Short-Term Sukuk (STS-11) amounting to PKR 5 billion on March 19, 2025. The instrument is callable after three months from the issue date and is structured in accordance with Shariah principles. The funds 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 maturity, calculated at a base rate of 3-Month KIBOR plus 0.05%.		
Statement by the Rating Team	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.		
Probability of Default	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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Due Diligence Meetings Conducted	N/A		