

PAKISTAN TELECOMMUNICATION COMPANY LIMITED (PTCL)

Analyst:

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RATING DETAILS

Ratings category	Sukuk Rating	Preliminary Sukuk Rating
Short-term Sukuk - 18	A1+	A1+ (plim)
Rating Action	Final	Preliminary
Rating Date	April 15, 2026	March 10, 2026

Shareholding (5% or More)

Other Information

The Government of Pakistan (62.18%)	Incorporated in 1995
	Public Listed Company
Etisalat International Pakistan (26%)	President & CEO: Mr. Hatem Mohamed Bamatraf
	External auditors: Ernst & Young

Applicable Rating Methodology

VIS Entity Rating Criteria Methodology – Corporates

<https://docs.vis.com.pk/docs/CorporateMethodology.pdf>

Instrument Rating

<https://docs.vis.com.pk/Methodologies-2025/IRM-Apr-25.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

Pakistan Telecommunication Company Limited (PTCL), Pakistan's leading ICT services provider with the country's largest fixed-line network, was incorporated in 1995 following the restructuring of the national telecom sector. The Company is listed on the Pakistan Stock Exchange and is headquartered in Islamabad. PTCL's wholly owned subsidiaries include Pak Telecom Mobile Limited (PTML), which operates under the brand name Ufone, and U-Microfinance Bank Limited. On December 31, 2025, PTCL successfully completed the acquisition of 100% shareholding in Telenor Pakistan (Private) Limited and Orion Towers (Private) Limited, making both entities wholly owned subsidiaries of the Company.

PTCL issued a rated, unlisted, unsecured, and privately placed Short-Term Sukuk (STS-18) of PKR 5 billion, under a Shariah-compliant structure with a six-month tenor and pricing at 3 Month KIBOR, to support working capital needs.

Company 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. PTCL is licensed by the Pakistan Telecommunication Authority (PTA) to provide an integrated range of telecommunications services across mainland Pakistan, Azad Jammu & Kashmir, and Gilgit-Baltistan. In late 2025, PTCL’s integrated telecom services license was renewed for an additional 25 years, enabling the Company to continue operations under current regulatory frameworks and supporting national digital infrastructure objectives.

PTCL has wholly owned subsidiaries, which include Pak Telecom Mobile Limited (PTML) and U-Microfinance Bank Limited. PTCL also on December 31, 2025, has successfully concluded the acquisition of Telenor Pakistan (Private) Limited and Orion Towers (Private) Limited and has acquired 100% of the shareholding of Telenor Pakistan (Private) Limited and Orion Towers (Private) Limited.

Sponsor’s Profile

The Company benefits from a strong sponsor profile, with the Government of Pakistan (GoP) holding a majority equity stake of 62%, alongside a 26% strategic shareholding by Emirates Telecommunications Group Company PJSC (Etisalat Group), formerly Etisalat. While the GoP remains the controlling shareholder, Etisalat Group retains management and operational control rights at PTCL, providing technical expertise, governance oversight, and strategic direction. Etisalat Group is an established international telecommunications company with operations across the Middle East, Asia, and Africa and a long operating track record. Etisalat Group is rated AA- by S&P and Aa3 by Moody’s.

Management and Governance

The Board of Pakistan Telecommunication Company Limited (PTCL) comprises nine directors, including a chairman, with female representation among non-executive members, in line with corporate governance standards. Chaired by Mr. Zarrar Hasham Khan, the Board oversees the company through dedicated Audit, Human Resources, Remuneration, ESG and Investment & Finance committees. Reflecting PTCL’s ownership structure under the Share Purchase Agreement between the Government of Pakistan and Emirates Telecommunications Group (e&), the Board includes four GoP nominees and five e& nominees, ensuring effective governance and management oversight.

The senior management team consists of experienced, professionally qualified personnel with expertise across telecommunications, finance, operations, governance, and technology integration. A streamlined organizational structure, rationalized through multiple Voluntary Separation Schemes (VSS), has reduced costs and improved operational efficiency. PTCL operates on an SAP-based ERP platform, supporting integrated financial reporting, robust internal controls, and operational efficiency. Combined with timely, comprehensive disclosures in annual reports and regulatory filings, this governance framework ensures transparency, accountability, and clear visibility of the company’s risk profile, financial performance, and management quality.

The group is led by Hatem Bamatraf, President & Group CEO of PTCL Group, which includes PTCL and Pak Telecom Mobile Limited (Ufone), under the ownership of Emirates Telecommunications Group Company. 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.

Sukuk Details

- PTCL issued a rated, unlisted, unsecured, privately placed Short Term Sukuk (STS-18), of PKR 5 billion 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.
- Profit is payable at the time of the maturity of the Sukuk along with the principal payment.

Industry Profile & Business Risk

In 2025, Pakistan's telecom sector remains a cornerstone of the digital economy, marked by broad market penetration, near-universal network coverage, and strong growth in data consumption. Total subscriptions have surpassed 200 million, with broadband connections exceeding 150 million (over 60% penetration), and data usage surpassing 27,700 petabytes, driven by video streaming, e-commerce, digital payments, remote work, and online education. The sector has evolved from a voice-centric utility into a data-driven enabler for households and enterprises.

Financially, the industry remains significant, with FY2024-25 revenues above PKR 1 trillion and contributions to the national exchequer exceeding PKR 400 billion. Annual capital investment remained robust at USD 830-840 million, supporting network upgrades, fiber expansion, and 4G coverage, which carries over 95% of mobile data traffic. Local handset manufacturing now accounts for over 90% of sales, supporting import substitution and supply chain linkages.

Looking ahead, the sector is poised for gradual evolution, including 5G preparation, spectrum re-farming, and Wi-Fi 6E adoption, while underpinning Pakistan's growing ICT exports (~USD 2.8 billion in FY2025).

Financial Risk

Capital Structure

Historically, the Company has maintained a conservative capital structure with gearing below 1.0x. However, since CY22, PTCL has increasingly relied on a mix of long-term and short-term borrowings to fund strategic investments, including loans to its subsidiary Ufone, primarily for the acquisition of 4G spectrum, as well as to meet ongoing capital expenditure requirements. In addition, PTCL has extended capital support to U Microfinance Bank, which is expected to continue through 2026. As a result, key leverage metrics have trended upward, with gearing rising to 2.03x (CY24: 0.97x; CY23: 0.66x) and leverage increasing to 4.09x (CY24: 2.98x; CY23: 2.30x) as of CY25. The elevated leverage also incorporates the impact of the recent acquisitions of Telenor Pakistan (Private) Limited and Orion Towers (Private) Limited for PKR 112 billion, funded through external borrowings arranged via an IFC-led consortium, with proceeds deployed as a combination of equity investment and shareholder loans. However, comfort is drawn from projected EBITDA contribution of approximately Rs. 55 billion from this new acquisition of Telenor which is expected to streamline capitalization metrics in the longer run.

Profitability

The Company's topline grew 12% in CY25 to Rs. 120.1 billion (CY24: Rs. 107.7 billion), driven by strong performance in corporate services, Flash Fiber, and the SME segment launched in CY23. Key growth segments, including Flash Fiber and Business Services, accounted for over 70% of total revenue, with Carrier and SME businesses showing strong growth within the business portfolio. PTCL maintained market leadership across IP bandwidth, cloud, data centers, and other ICT services, while broadband and IPTV revenue increased to 45.9% of total revenue (CY24: 45.7%).

Gross margin improved to 29.9% in CY25, supported by topline growth, cost-optimization initiatives, and a relatively stable macroeconomic environment. Operating costs increased in line with the expanded scale of operations, including a one-off charge

of Rs. 5.9 billion for employee benefit obligations for prior periods. Other income remained sizable at Rs. 16.7 billion (CY24: Rs. 17.2 billion), largely driven by scrap sales, government grants, and interest income from loans extended to subsidiaries. However, finance costs stood at Rs. 20.0 billion (CY24: Rs. 22.6 billion) due to increased borrowings to support working capital needs and subsidiary financing. Consequently, despite revenue growth, net profit declined to Rs. 1.4 billion (CY24: Rs. 4.8 billion), compressing net margins to 1.2% (CY24: 4.5%). Going forward, improvement in operating profitability in Ufone post acquisition is expected to boost dividend and interest income from subsidiaries, supporting overall profitability profile.

Debt Coverage & Liquidity

PTCL's liquidity position in CY25 reflected elevated borrowings to fund subsidiary investments, with the current ratio improving modestly to 0.78x (CY24: 0.72x). The cash conversion cycle (CCC) also stretched to 148 days (CY24: 123 days), mainly due to delayed receivables from associates, though liquidity remained manageable. The Company's coverage profile came under pressure amid elevated borrowings. In CY25, Funds from Operations (FFO) increased, supported by higher operating cash flows and a decrease in finance costs. However, total debt rose significantly during the year, resulting in the FFO-to-Total Debt ratio declining to 0.12x (CY24: 0.20x), while the Debt Service Coverage Ratio (DSCR) improved to 1.92x (CY24: 1.68x), indicating moderately better cash flow coverage despite elevated leverage. Borrowings during the year were primarily directed toward network expansion at PTCL and its subsidiary Ufone, supporting long-term revenue growth and service quality improvements but weighing on near-term coverage metrics. The short-term debt coverage ratio improved to 3.65x (CY24: 2.23x), reflecting sufficient backing despite increased reliance on short-term borrowings for working capital and bridge financing. Liquidity risks are partially mitigated by sizable available credit lines, sponsor backing, and the Company's strong market presence and access to capital markets.

The recent acquisition of Telenor Pakistan (Private) Limited and Orion Towers (Private) Limited has increased debt-servicing requirements; however, coverage is projected to remain manageable, with DSCR expected to stay around 2.0x. Going forward, prudent debt management, timely refinancing, and steady cash flow recovery from subsidiaries will remain critical to sustaining the Company's coverage and liquidity profile over the rating horizon.

FINANCIAL SUMMARY		(Rs. in millions)				
BALANCE SHEET	CY21	CY22	CY23	CY24	CY25	
Property, plant and equipment	121,508	131,490	144,018	161,173	178,931	
Stock-in-Trade	-	-	-	-	-	
Trade Debts	27,937	39,293	52,587	60,563	71,264	
Cash & Bank Balances	2,556	5,685	10,029	12,088	22,397	
Total Assets	245,735	305,159	387,602	457,686	647,144	
Trade Payables & Other Payables	103,320	125,101	141,424	169,319	194,433	
Long Term Debt	1,729	24,068	52,703	64,464	213,896	
Short-Term Borrowings	-	93	19,215	27,117	19,522	
Short term Sukuk	-	-	5,000	20,000	25,000	
Total Debt	1,729	24,161	76,918	111,581	258,418	
Total Liabilities	146,082	197,105	270,234	342,579	520,048	
Paid Up Capital	51,000	51,000	51,000	51,000	51,000	
Tier-1 Equity	99,653	108,054	117,368	115,108	127,096	
Total Equity	99,653	108,054	117,368	115,108	127,096	
INCOME STATEMENT	CY21	CY22	CY23	CY24	CY25	
Net Sales	76,853	83,444	96,267	107,766	120,113	
Gross Profit	16,533	18,233	22,500	28,276	35,884	
Operating Profit	10,021	15,684	27,335	29,474	26,225	
Profit Before Tax	9,682	13,513	13,906	6,885	6,202	
Profit After Tax	6,874	9,053	9,391	4,826	1,382	
RATIO ANALYSIS	CY21	CY22	CY23	CY24	CY25	
Gross Margin (%)	21.5%	21.9%	23.4%	26.2%	29.9%	
Net Margin (%)	8.9%	10.8%	9.8%	4.5%	1.2%	
Net Working Capital	(24,662)	(21,059)	(33,942)	(60,868)	(54,303)	
FFO	25,560	28,195	23,820	22,317	30,018	
FFO to Total Debt	14.78	1.17	0.31	0.20	0.12	
FFO to Long Term Debt	14.78	1.17	0.45	0.35	0.14	
Current Ratio (x)	0.76	0.83	0.80	0.72	0.78	
Debt Servicing Coverage Ratio (x)	33.57	11.25	2.35	1.68	1.92	
Gearing (x)	0.02	0.22	0.66	0.97	2.03	
Leverage (x)	1.47	1.82	2.30	2.98	4.09	
(Stock in Trade + Trade Debts)/STD	NA	424.43	2.74	2.23	3.65	
ROAA (%)	2.9%	3.3%	2.7%	1.1%	0.2%	
ROAE (%)	7.1%	8.7%	8.3%	4.2%	1.1%	
Net Operating Cycle (days)	47	59	88	123	148	

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 18 Rating	
Rating History	Rating Type: Short Term Sukuk 18	
	Rating Date	Ratings
	Rating Action	
	04/15/2026	A1+
	03/10/2026	A1+ (plim)
Instrument Structure	Instrument Name	STS-18
	Nature of Instrument	STS
	Tenure of Instrument	6 months
	Size of the Issue	PKR 5 billion
	Principle Redemption Schedule	Semi Annual
	Interest Redemption Schedule	Semi Annual
	Issue Date	17 March 2026
	Grace Period	NA
	Redemption Date	17 September 2026
	Nature of Security	NA
Rating	A1+	
Name of Trustee	Habib Bank Limited	
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.	
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Due Diligence Meeting Conducted	Name	Designation
	Ramish Siddique	Executive Corporate Finance & Treasury
		Date
		31 March 2026