

RATING REFLECTIONS

JCR-VIS Credit Rating Company Limited

NATIONAL EXCELLENCE, INTERNATIONAL REACH

April, 2011

Wateen Telecom Limited – Entity

On October 15, 2010, JCR-VIS Credit Rating Company Limited (JCR-VIS) revised the entity ratings of Wateen Telecom Limited from 'A/A-2' (Single A/A-Two) to 'D' in view of overdue payments against some outstanding obligations.

Following the initial public offering, the shareholders approved a subordinated loan of about USD 25 million. JCR-VIS believed that combined with the IPO proceeds of almost Rs. 2b, the subordinated loan was sufficient to enable the company to meet its up-coming payments, and also ease the pressure on profitability by reducing the outstanding debt levels. The company had stepped up payments on its outstanding debt obligations.

Wateen however missed payments primarily against MCC loan. Subsequently, some of the outstanding obligations due to the company's vendor were settled directly by the sponsors.

Given the difference in timing of payment due and when it was actually paid, entity ratings were revised to 'D'.

About the issuer

Wateen Telecom (Pvt.) Limited (Wateen) has been operating since 2005 as a communication service provider. Major sponsors include Warid Telecom International LLC (a holding company looking after Telecom investments of Abu Dhabi Group) and Bank Alfalah Limited, with shareholding of 53.98% and 13.52%, respectively. Aggregate shareholding with related parties was 72.44% at the end of June 30, 2010.

TABLE - I Rating/Outlook History

Rating Actions	Entity
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November 22, 2006	A/A-2 – Stable
August 13, 2007	A/A-1 – Positive
March 3, 2009	A-/A-2 – Stable
October 15, 2010	D – Default
December 31, 2010	Under Review