



Rating Action

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PACRA Maintains Ratings of Pakistan Mobile Communications Limited; Assigns Positive Outlook

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Pakistan Mobile Communications Limited (PMCL) at "A+" (Single A Plus) and "A1" (A One), respectively. The ratings of the TFC issues of PKR 3,261mln and PKR 6,000mln have also been maintained at "A+" (Single A Plus). These ratings denote a strong capacity of timely payment of financial commitments. Meanwhile, these ratings have been assigned a **positive outlook**.

The ratings reflect PMCL's strong business profile emanating from its leading market position, largest operational network, improving margins, and rising subscriber base. The company has largely achieved desired network coverage, limiting historically high CAPEX levels to up-gradation activities. This has benefited PMCL's financial profile by directing free cashflows to reduce debt obligations. The company's cashflow needs may go up significantly if it acquires 3G license. Although the company maintains strong cash flows, its short-term coverages are relatively modest. However, this is being adequately managed through its extended working capital cycle.

The positive outlook considers the company's ability to sustain its capital structure while meeting upcoming debt maturities majorly from internal generation. This incorporates change in ownership in favor of a strong group - VimpelCom - an emerging European telecom, internationally rated at BB - which lately merged with Orascom Telecom. This is expected to bring synergetic benefits to PMCL. However, any significant CAPEX, thereby putting pressure on free cash flows of the company besides adding substantial debt may impact the ratings.

The Company PMCL is the country's largest cellular telecommunication service provider in terms of subscriber and revenue base engaged in installation, operation and maintenance of a countrywide GSM cellular network under the brand name of Mobilink. PMCL is a wholly owned subsidiary of Orascom Telecom Holding (OTH), based in Egypt. Lately OTH, by virtue of the amalgamation of its parent - Wind Telecom - has been merged with a Russian telecom group - VimpelCom Limited. VimpelCom, subsequent to this transaction has become the sixth largest telecom operator in the world.

The TFC Issues PMCL issued its first listed secured TFCs of PKR 3,261mln in May 2006, for a period of seven years (semi-annual payments at 6 months KIBOR plus 285bps). The principal repayment started in November 2010. The company issued its second listed unsecured TFCs of PKR 6,000mln for a tenor of 5 years in October 2008 (semi-annual payments at 6 months KIBOR plus 165bps). The principal would be paid in a bullet payment (October 2013)

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