



**Rating Action**

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**PACRA ASSIGNS ENTITY AND TFCs RATINGS TO PAKISTAN MOBILE COMMUNICATIONS LIMITED**

The Pakistan Credit Rating Agency (PACRA) has assigned long-term and short-term entity ratings of ‘A+’ (Single A Plus) [Previous: AA-] and ‘A1’ (A One) [Previous: A1], to Pakistan Mobile Communications Limited (PMCL). TFCs of PKR 3,261 million and PKR 6,000mln have been assigned rating of ‘A+’ (Single A Plus) [Previous: AA-]. The ratings denote a low expectation of credit risk emanating from a strong capacity for timely payment of financial commitments.

The ratings reflect PMCL’s leading market position in a competitive telecom industry, a result of its extensive network, expanding product range, and increasing subscriber base. The company’s financial risk is high owing to relatively high leveraging and constrained coverages. Significant upcoming debt maturities highlight the intensity. Although, the company is expected to generate enough cash flows to meet its financial obligations, there could be pressure on meeting its capital expenditure plans in the absence of financial support from the parent – Orascom Telecom. Nevertheless, given the strategic importance of the company in the group, PACRA considers support from the parent is forthcoming, in case the need arises.

**The TFCs issue:** PMCL issued its first listed secured TFCs of PKR 3,261mln in May 2006. The issue has a tenor of seven years and principal is payable after a grace period of 4 years in 6 equal semi-annual installments, beginning November 2010. The issue is secured by way of first pari passu charge on two pools of assets with 25% margin. The TFCs carry a coupon rate of 6 months KIBOR plus 285bps, with no floor or ceiling, being payable on a semi-annual basis in arrears.

The company issued its second listed unsecured TFCs of PKR 6,000mln for a tenor of 5 years in October 2008. The mark up is payable semi-annually at six month KIBOR plus 165bps with no floor or cap. The principal would be paid at the end of the term in a bullet payment in October 2013.

**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. OTH, operating in 10 countries, has consolidated assets of close to US\$ 10bln and subscriber base of 92mln at end-Dec09.

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