



Rating Action

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PACRA ASSIGNS RATING TO THE PROPOSED TFC ISSUE OF WORLDCALL TELECOM LIMITED

The Pakistan Credit Rating Agency (PACRA) has assigned a rating of “AA-” (Double A minus) to the proposed secured TFC issue of PKR 4,000mln by Worldcall Telecom Limited (WTL). The rating denotes a very strong capacity of timely payment of financial commitments. Meanwhile, the rating is placed on **RatingWatch**, pending the completion of acquisition of majority stake in WTL by Oman Telecom (OT).

The rating reflects WTL’s sound financial profile emanating from its low leveraged capital structure. However, the company is exposed to a relatively high level of business risk fuelled by increasing competition in its areas of operations. This, while making it difficult to achieve business expansion, has also put pressure on margins, in turn, affecting WTL’s cash flows, which though currently are robust. However, the company is expected to be well placed to manage these risks subsequent to transfer of majority ownership to OT. OT, the largest communication service provider in the Sultanate of Oman and possessing robust financial health and technical capacity, is expected to design and implement a more market-oriented business strategy in due course. Nevertheless, any extended delays in acquisition by OT of majority stake in WTL would have negative implications for the rating.

About the proposed TFC Issue: The company intends to raise PKR 4,000mln through an issue of secured and listed TFCs for a tenor of 5 years. The profit would be paid semi-annually on the basis of 6 month KIBOR *plus* 160bps with no floor and cap. Principal would be redeemed in seven equal semi-annual instalments starting from 24th month of the issue date. The issuer will have call option exercisable after 2 years of issue. The instrument would be secured by first *pari passu* charge on all present and future fixed assets (excluding land and buildings) of the company and all licenses with 25% margin.

About the company: WTL, a Worldcall / First Capital group company, is a fully integrated communication service provider offering telecom services nationwide while broadband services are operational in Karachi and Lahore. The company is listed on Karachi and Lahore Stock Exchanges. Recently, the major sponsors of the company have accepted the offer of OT to sell majority stake in the company. The process is expected to complete soon subject to certain regulatory and corporate approvals/formalities.

OT is the sole licensed operator of fixed phone and internet services in the Sultanate of Oman. The company also offers mobile telecom services through its 99% owned subsidiary ‘Oman Mobile’. The company has been listed on Muscat Securities Market subsequent to divestment of 30% of its holding in the company in July 2005 by the government.

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