



Rating Action

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Analyst

Muhammad Qasim Raza
(+92-42-3586 9504)
qasim.raza@pacra.com

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PACRA MAINTAINS RATINGS OF WORLDCALL TELECOM LIMITED; PLACED ON RATING WATCH

The Pakistan Credit Rating Agency (PACRA) has maintained the long-term and short-term entity ratings of Worldcall Telecom Limited (WTL) at “A-” (Single A minus) and “A2” (A two), respectively. PACRA has also maintained the ratings of the secured TFC issues of PKR 350mln and PKR 4,000mln at “A” (Single A). These ratings denote a low expectation of credit risk while the capacity for timely payment of financial commitments is considered strong.

The ratings reflect WTL’s association with Oman Telecommunications (OT) – state owned telecom operator in Oman. The ratings recognize strengthening governance structure of WTL emanating from strong oversight of its board and improving internal control framework. However, the company’s business profile has weakened owing to continuous losses, which in turn has highlighted the financial risk. The management, cognizant of the situation, is making efforts to strengthen business and financial profile of WTL. However, timely materialization of its efforts is yet to be seen.

The company’s ability to achieve sustainable core profitability in a timely manner, while upgrading its technology infrastructure to withstand its position in fast changing sector dynamics are critical for the ratings. Meanwhile, pressure on cash flows may constrain company’s ability to meet its planned capex and upcoming debt maturities in the absence of parent support and/or financial restructuring. However, Omantel has shown its willingness to provide requisite resources. The ratings are placed on **Rating Watch** pending the flow of funds from Omantel, which is expected within 3Q10. Any material delay would trigger a negative rating action.

About the Company: WTL, a 57% owned subsidiary of Oman Telecom (OT), 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.

OT, majority owned by Government of the Sultanate of Oman, is the sole licensed operator of fixed phone and internet services in the Sultanate of Oman. The company also offers mobile telecom services. OT is listed on Muscat Securities Market. WTL is OT’s first major expansion initiative outside Oman.

About the TFC Issues: WTL issued secured and listed TFCs of PKR 350mln (Nov 06) and PKR 4,000mln (Oct 08). The tenor of both the instruments is 5 years carrying profit at the rate of 6month KIBOR plus 275bps and 6month KIBOR plus 160bps, respectively, without any floor and cap. Principal redemption of PKR350mln TFCs is in six equal semi-annual installments beginning November 2008. The second TFC is to be redeemed in seven equal semi-annual installments starting from October 2010.

The primary function of PACRA is to evaluate the capacity and willingness of an entity to honor its obligations. Our ratings reflect an independent, professional and impartial assessment of the risks associated with a particular instrument or an entity.

PACRA’s comprehensive offerings include instrument and entity credit ratings, insurer financial strength ratings, fund ratings, asset manager ratings and real estate gradings.

PACRA’s opinion is not a recommendation to purchase, sell or hold a security, in as much as it does not comment on the security’s market price or suitability for a particular investor.