



## Rating Action

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## PACRA Revises Ratings of Worldcall Telecom Limited

The Pakistan Credit Rating Agency Limited (PACRA) has revised the long-term and short-term entity ratings of Worldcall Telecom Limited (WTL) to "**BBB-**" (Triple B Minus) and "**A3**" (A Three) respectively [Previous: **A-/A2**]. The ratings of the secured TFC issues of PKR 350mln and PKR 4,000mln have also been revised to "**BBB**" (Triple B)[Previous: **A**].

The ratings reflect stressed financial profile of the company. Over the recent period, WTL is experiencing weakening business prospects mainly due to heightened competition. Despite this its financial profile was uplift due to its association with Omantel. The support was demonstrated in the form of US\$ 35mln loan raised by WTL on the back of Omantel's corporate guarantee. However, lately, this willingness to support has been hit by procedural snags, whereby committed injection of another US\$ 35mln has been delayed. This has constrained WTL's ability to timely meet its financial and commercial obligations.

WTL is pursuing grant of grace period (~60 days) for its debt obligations, mainly TFCs, while remaining current on interest payments. The management is hopeful to channelize funds from Omantel in this timeframe. The negative outlook captures the uncertainty in timeliness of these actions. Meanwhile, the business and operating environment continues to remain challenging. WTL, in this scenario, is struggling to maintain its market share while rationalizing its cost structure.

**About The Company:** WTL, a 57% owned subsidiary of Oman Telecom (Omantel), is a fully integrated communication service provider offering telecom services nationwide while its broadband services are operational in Karachi and Lahore. The company is listed on Karachi and Lahore Stock Exchanges. WTL's seven member board comprises five nominees from Omantel.

**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 (outstanding principal: PKR 58mln). The second TFC is to be redeemed in seven equal semi-annual installments which started from October 2010 (outstanding principal: PKR 2,739mln). WTL has paid due interest on this instrument for this October, while requesting a grace period of 60 days for principal redemption.

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